

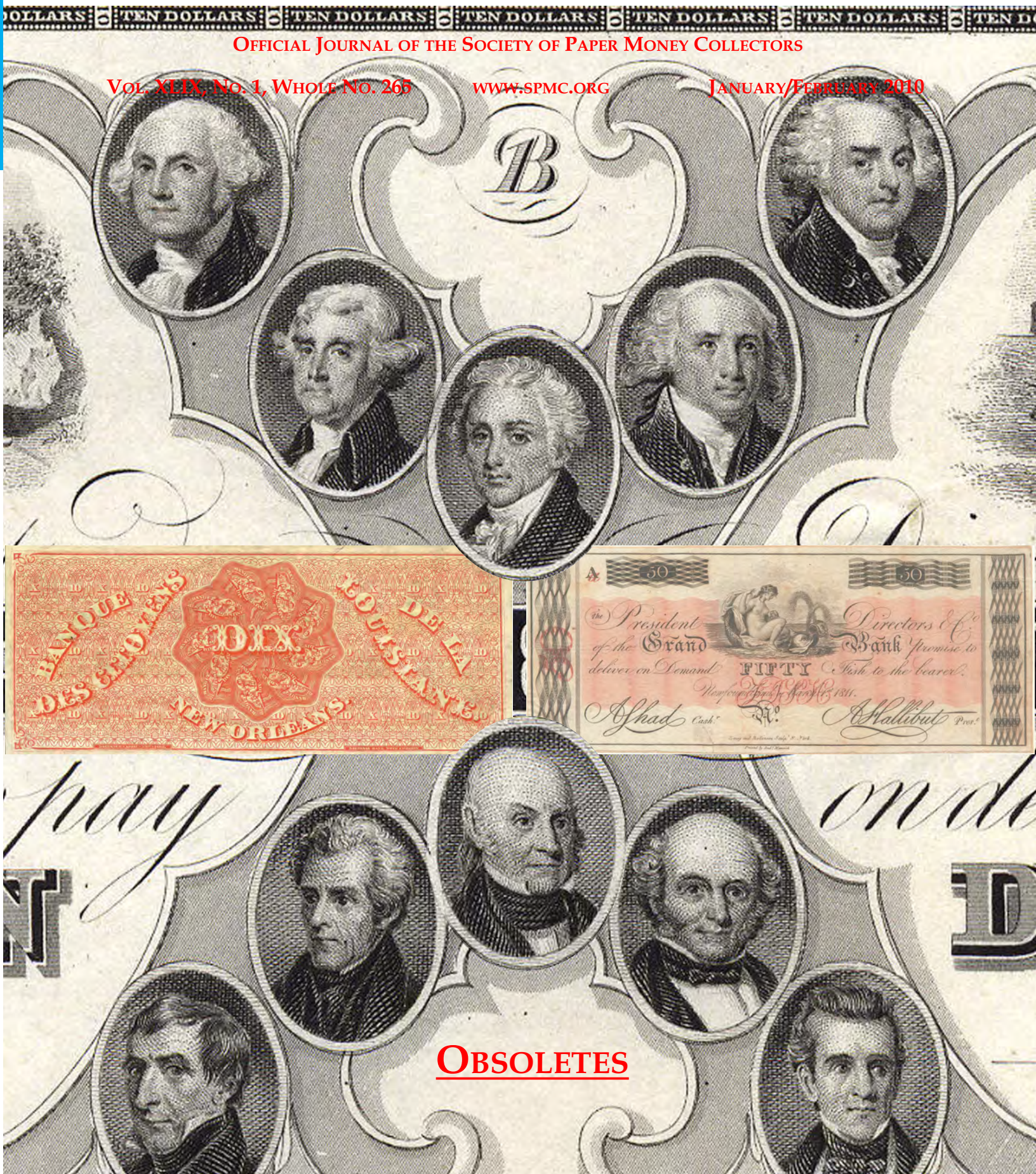
PAPER MONEY

OFFICIAL JOURNAL OF THE SOCIETY OF PAPER MONEY COLLECTORS

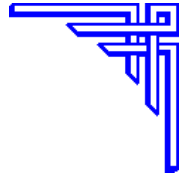
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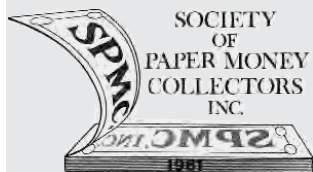
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The Society of Paper Money Collectors was organized in 1961 and incorporated in 1964 as a non-profit organization under the laws of the District of Columbia. It is affiliated with the ANA. The annual SPMC meeting is held in June at the Memphis International Paper Money Show. Up-to-date information about the SPMC, including its bylaws and activities can be found on its web site www.spmc.org. SPMC does not endorse any company, dealer, or auction house.

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Oh, Mister Ponzi!



By Terry Bryan

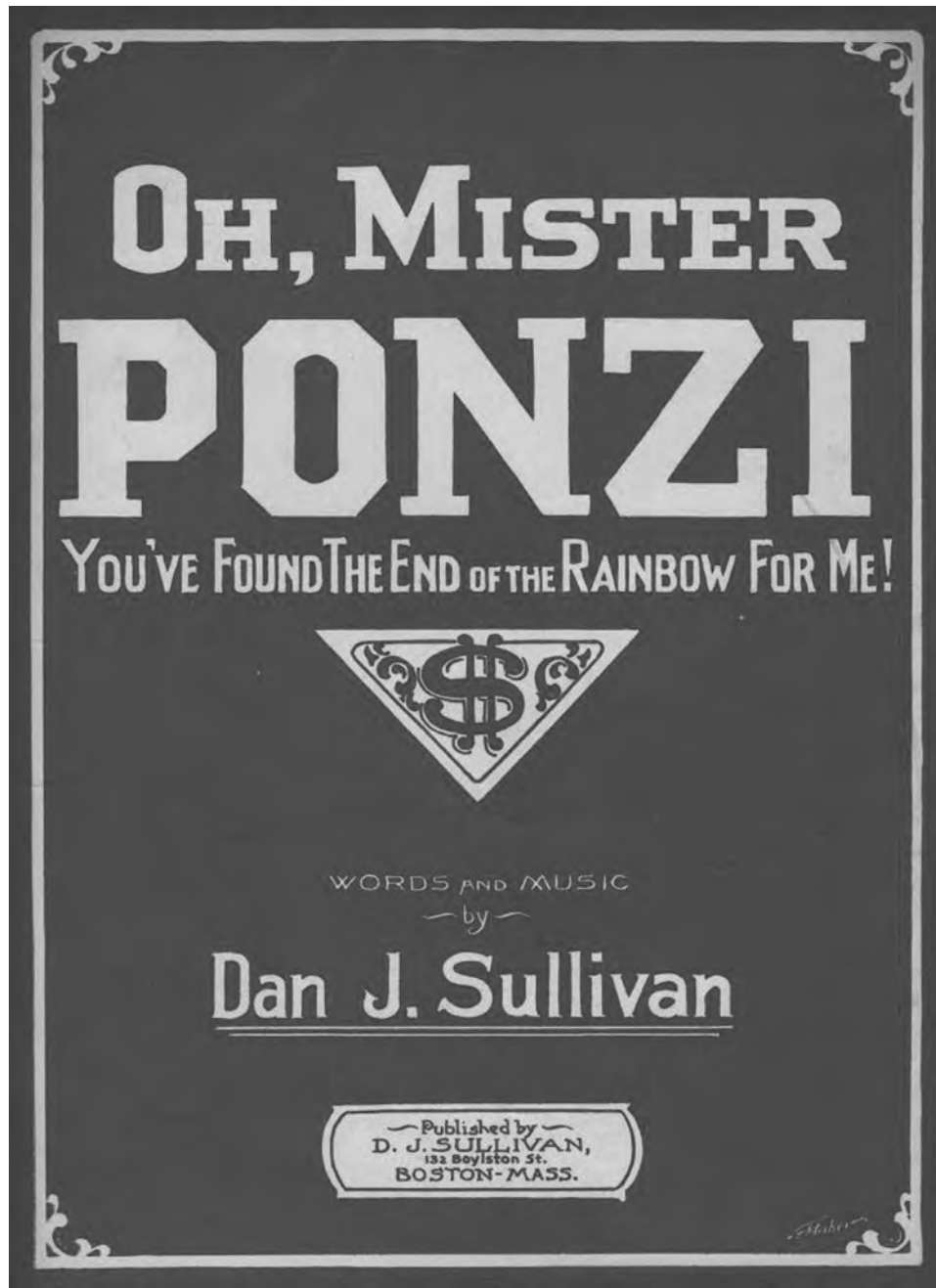
“OH, MISTER PONZI, YOU’VE FOUND THE END OF the rainbow for me.” Those of us who have entirely too much stuff have had this experience: you found a neat item in your collection that you had completely forgotten. I have a large collection of antique sheet music on the topic of money and finance. I was filing some new acquisitions, and I found, *Oh, Mister Ponzi* by Dan J. Sullivan, dated 1920. My database showed that I had bought this music sheet in 2000.

This money music is certainly pertinent to recent headlines about Bernard Madoff, Allen Stanford and their fraudulent investment schemes, bilking thousands of investors of millions of dollars in recent years. I was aware that such confidence games rely on early investors being paid a generous return. The first investor gets paid out of money invested by the second investor. The second investor is paid out of the third guy’s cash, and so forth. Word-of-mouth from the early winners keeps new investors interested. The con man gets along fine, only so long as new money is being infused into the pyramid. If everybody tries to cash out their accounts, the lack of capital becomes obvious rapidly. The old expression, “Robbing Peter to pay Paul” applies here, and these ploys are thus also called “Peter-Paul schemes.”

Since the criminal operator is offering fraudulent investment vehicles, he is prosecuted under State and Federal mail fraud and securities statutes. Usually the fraudster has an ingratiating personality, able to charm money from the proverbial widows and orphans with promises of high rates of return.

Such structured cons came to be called “Ponzi Schemes” in the United States, although there is a long history of similar investment fraud. In any case, Ponzi did not invent the crime. Even Dickens’ plot of *Martin Chuzzlewit* featured a criminal pyramid investment in 1844. Ponzi Schemes are differentiated from Pyramid Schemes, because in the latter, investors are to profit from recruitment commissions of other investors/sellers, often in a retail sales effort. The market eventually collapses when there are too many sellers (and not enough sales) to pay commissions up the line. Pyramid Schemes may barely skirt a line

The Universal Postal Union Logo features cartoon figures passing letters around the globe.

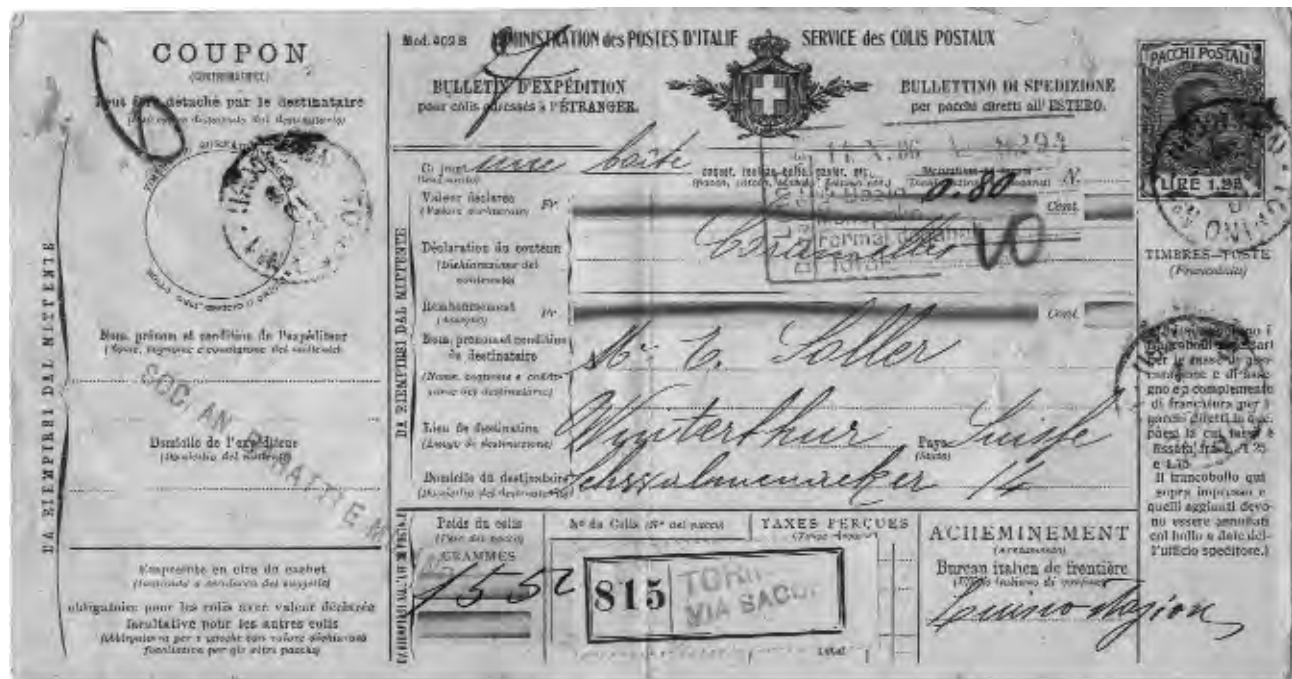


This tune might leave you humming for joy, or cause you to quake with disgust, depending on your timing. (author's collection)

dividing them from legitimate marketing. A Ponzi scheme has no product to sell, and no recruitment commission...everybody stands to lose.

An informative article from the Federal Trade Commission explains the details and warns consumers about these scams. Reading this brought to mind Mel Brooks' riotous movie and musical, *The Producers*. In that plot, the "product" was an awful play. Many investors believed they owned 100% of the stock issue. The producers hoped that the play would flop on opening night, allowing them to pocket all the money from the investors/angels. Could this be called a "Reverse Ponzi Scheme"?

To learn more about Ponzi, I turned to the Internet. His career has been widely reviewed during the Madoff coverage. Charles (Carlo) Ponzi was born in Parma, Italy in 1882. He lied so often and so inconsistently that his true background is hazy. His life in Italy may have included being a postal worker and a university education. Ponzi told of arriving in the United States in 1903 in abject poverty. From the known record, he was apparently one of those peo-



ple who might have succeeded quite well by “going straight,” but he just could not do it. Sociopathy or simple thrill-seeking led him from one petty scam to another, centering on Boston and the East Coast. For example, an early job as a waiter resulted in being fired for shortchanging diners.

In 1907, Ponzi was peripherally involved with the failure of the Banco Zarossi in Montreal. Financial crimes related to this resulted in Canadian imprisonment until 1911. Smuggling illegal Italian immigrants resulted in a two-year stretch in Atlanta. This prison term proved to be an education and networking opportunity. In other words, Ponzi met higher-level financial criminals, and he broadened his criminal horizons.

Back in Boston, Ponzi was married and he participated in several unsuccessful businesses. A letter from Spain to one of his failed operations included an International Postal Reply Coupon. Ponzi had never heard of this type of fiscal paper (neither had this author). Ponzi's intuition told him that there was a profit to be made.

International Postal Reply Coupons (IPRC) are a little-known post office product. The Union Postale Universelle (UPU) is an international treaty organization responsible for regularizing international mail between signatory nations. The UPU has circulated International Postal Reply Coupons since 1906, although this form of scrip dates from the 1880s.

IPRC are pre-paid international postage vouchers. Included in your letter abroad, they will pay return postage for Airmail weighing 20 grams. A stamped, self-addressed envelope does not serve this purpose, because the return mail requires stamps from the other country. The United States Post Office sells IPRC for \$ 2.10 each. They are postmarked, and you enclose them in your mail abroad. The recipient exchanges them for stamps in his own country. When one is received in the United States, it is worth up to 94 cents in stamps. The coupons are supplied from UPU headquarters in Berne, Switzerland, and the current design was issued for the Centenary of the system.

Italian Postal Coupon/International Postal Reply Coupon from Italy, contemporary with Ponzi's grand plan. (author's collection)

A young Ponzi arrested for earlier misdeeds. (Wikipedia photo)





Above: Ponzi the dude, riding high on some scheme or other.
(Wikipedia photo)

Below: Ponzi bought a mansion in Lexington, Massachusetts.
(Photo courtesy Mark Knutson)

I thought that an example of an IPRC would be a good item to go along with my Ponzi sheet music. The U.S. Post Office website suggested that IPRC were only available at larger post offices. I bypassed my local post office in favor of the main office in Wilmington, Delaware, the nearest large city. The errand took place over the lunch hour. I was not surprised to see that only about half of the service windows were open, serving quite a long line. When I stepped up to the clerk, I was amused by the look of confusion on her face when I asked for an International Postal Reply Coupon. She thought for a bit, and finally admitted that she had heard of them in her training classes, but she had never seen one. She disappeared for quite a while, returning with the Assistant Postmaster. I was told, "There are probably some of those in the vault." They returned with a three-ring binder of plastic pocket pages that apparently contained seldom-needed postal products. I also saw some plate blocks of stamps that might have been saved to accommodate collectors. The total number of IPRC present was two. I bought their whole supply, total, \$4.20. After this drawn-out little transaction, I did not hear any muttering from the long line behind me, but I left in a hurry.

The current IPRC is graphically attractive. It is a 10 x 15 cm. card. It features a vignette of the hands of God and Adam taken from Michelangelo's Sistine Chapel ceiling of 1511. The hands are overlaid with a gold postage stamp outline on a light blue background. A hologram shows the logo of the UPU organization. The logo itself is placed on the upper left of the card. The text on the face is in French, but the back repeats the obligation in German, English, Arabic, Japanese, Spanish and Russian. The design current when I bought mine expired in December of 2009.

The Union Postale Universelle logo shows five figures handing letters to each other around a world globe. One of the cartoon figures wears a long feather headdress, obviously intended to be a Native American representing North



America. I suspect that e-mail and Internet shopping have greatly reduced the demand for IPRC in commerce.

Earlier, I used the term “scrip” to describe these instruments. They are a paper medium of exchange, good for merchandise. They are bearer documents, with cash value, although not of an emergency issue as most of us think of scrip. IPRC appeared to be one of those crossover items between Philately and Syngraphics, and so, this article was submitted to a journal devoted to paper money.

IPRC are collected. Such things are described as “back of the book” items in the stamp hobby. That implies that they are sidelines to more obvious and popular stamp material, and therefore, relegated to the back pages of the Scott Catalogs and other references. Three states are found: unused, sold (but not redeemed), and redeemed (two postmarks). The redeemed ones are supposed to be destroyed after they are turned in, so these are scarcer. There are always a few different ones on eBay, mostly older ones from other countries. I was able to find an Italian one from the early 20th century to go along with the Ponzi story.

Having been introduced to International Postal Reply Coupons, Ponzi developed his idea. Post World War I conditions in Europe caused a disparity in postal rates, particularly in Italy. Ponzi realized that he might buy IPRC abroad in quantity and redeem them here for a profit after reselling the stamps. This was the “product” of the Ponzi scheme: arbitrage of IPRC, for which he claimed profit potential far beyond any reality. Ponzi promoted his idea mainly among Boston’s Italian community, offering huge returns starting in the last days of 1919. Millions of dollars poured in. By definition, the early investors were paid large amounts. Word of mouth and a network of paid agents generated windfalls of cash. Modest amounts were accepted from working people, and many people reinvested their profits. Ponzi had soon realized that he could not make any real money with IPRC, so he did not actually bother to buy any amount of them.

Ponzi lived an expansive lifestyle while times were good. A mansion in Lexington, Massachusetts and a large interest in the Hanover Trust Bank of Boston were signs of his success. His business savvy was lauded in the *Boston Post* in July, 1920, and investors could not send money quickly enough. No paper records were kept, but Ponzi made millions. By some measures, a million 1920 dollars is worth 10+ million today.

Simultaneously, Clarence Barron, the financial analyst and publisher, was asked to investigate on behalf of the newspaper. By Barron’s calculations, the expense of handling the IPRC transactions would exceed the profit. Furthermore, 160,000,000 IPRC would be needed to cover the obligations of Ponzi’s investment company. The UPU reported that there were only 27,000 IPRC in circulation worldwide.

Charles Ponzi was arrested in August of 1920 and was sentenced to five years. After an early release, he faced state charges and deportation. He jumped bail and went to Florida, where he sold swampland in the Jacksonville area, calling it “prime resort property.” He was jailed in Florida, Louisiana and Massachusetts. Deportation occurred in 1934. Back in Italy, he failed at several schemes and obtained a job in Brazil. There he died in a charity hospital in 1949. In his sickbed interview he expressed his opinion that for the folks in Boston “It was easily worth fifteen million bucks to watch me put the thing over.”



Ponzi at the height of his 1920 fraud.
(Wikipedia photo)



Ponzi is facing deportation and he has visibly aged. (Wikipedia photo)

If one can summon any sympathy for a character like Ponzi, it might be based on the tragedy of unfulfilled promise. Ponzi was apparently intelligent and described as utterly charming. He continued to have supporters among his victims (including his ex-wife) in spite of all evidence to the contrary. Some fault in his makeup caused him to take the criminal path, reaching a pitiful end.

One wonders if composer Dan J. Sullivan of Boston was one of Ponzi's early investors actually profiting greatly from his investment. In the music, "Respectfully dedicated to Mr. Chas. Ponzi," Sullivan writes:

Hey! Mr. Ponzi

Verse

*All my life I've toil'd and toil'd so hard from sun to sun,
Always going, never knowing when my work was done,
Always dreaming idle dreams that never would come true.
Now they're lined with gold and thanks to you.*

Chorus

*Oh! Mister Ponzi, you're a wizard, Mister Ponzi,
You beat Aladdin and his funny little lamp,
And all the glory of the little kiddies' fairy story
When compar'd to you is gone.
You've made my life just like a movie,
I thrill and thrill in ecstasy.
Oh! Mister Ponzi, you're a wizard, Mister Ponzi,
You've found the end of the rainbow for me.*

Verse

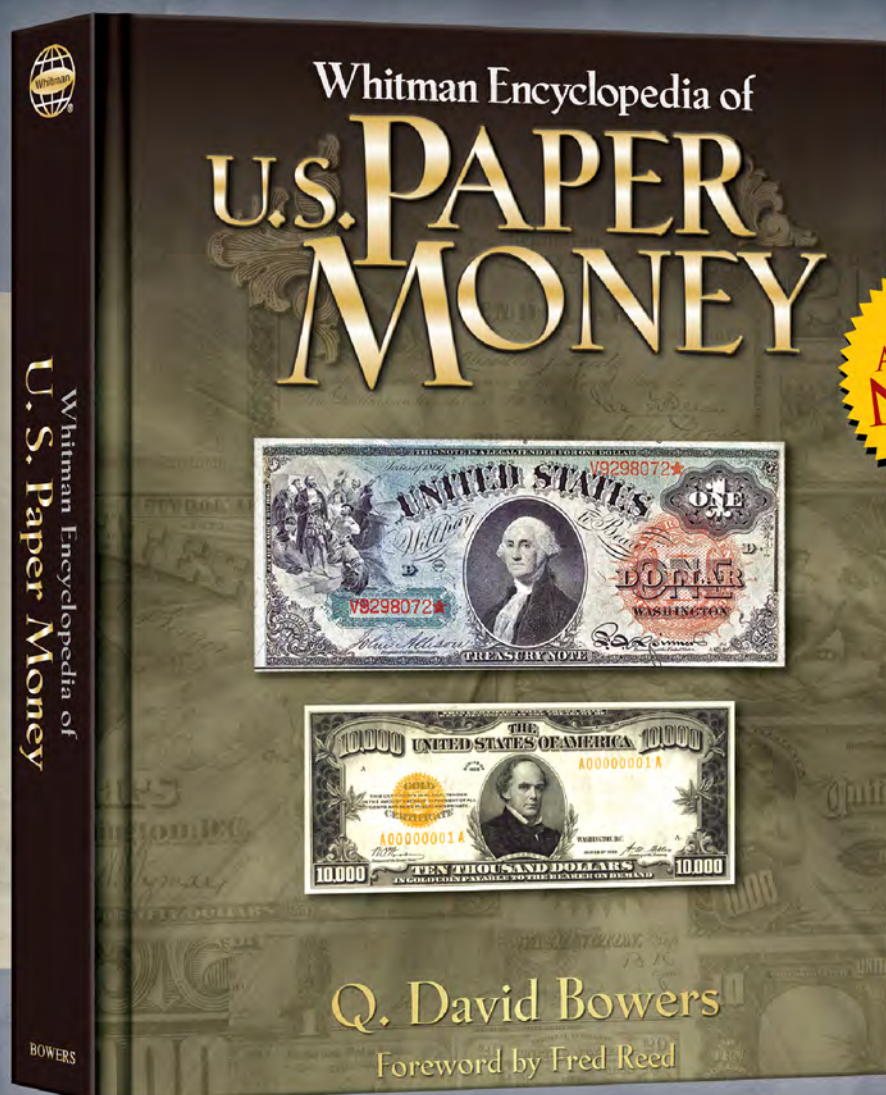
*Dreaming golden dreams, I hope I never will wake up,
Let me drink of happiness until I drain the cup,
Here's good luck to you and your's until the end of time,
While I sing to you in joy sublime.*

Chorus

*Oh! Mister Ponzi, you're a wizard, Mister Ponzi,
You beat Aladdin and his funny little lamp,
And all the glory of the little kiddies' fairy story
When compar'd to you is gone.
You've made my life just like a movie,
I thrill and thrill in ecstasy.
Oh! Mister Ponzi, you're a wizard, Mister Ponzi,
You've found the end of the rainbow for me.*

This tune never reached the *Billboard* charts. I suspect that very few song sheets were sold in the several months that Ponzi was riding high. Money and finance are common themes in music, as in life in general; however, you seldom find a piece of music so steeped in irony.

Next on our program: *The Prisoner's Song*.



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The World War II Issuance of Series of 1929 Federal Reserve Bank Notes

A POORLY RECOGNIZED NUMISMATIC FACT IS that the majority of \$911,700,000 worth of Series of 1929 Federal Reserve Bank Notes printed in 1933 and 1934 were actually issued during World War II. They were released from the last days of 1942 into early 1944.



The Paper Column by Peter Huntoon and Lee Lofthus

More than two-thirds, 68.8 percent of the printing (\$626,796,750) came out during the war, whereas only 31.2 percent (\$284,903,250) was issued during the banking emergency of 1933-4.

The WW II Series of 1929 releases totaled \$659,697,500, consisting of the \$626,796,750 worth of previously unissued notes plus \$32,900,750 of recycled fit notes that had been withdrawn from circulation following the 1933-4 banking emergency.

There were three sources for the WW II issues: (1) \$450,800,000 in new notes stored at the Bureau of Engraving and Printing, (2) \$175,996,750 in new notes held by the Federal Reserve Agents at the twelve banks, and (3) \$32,900,750 worth of fit notes withdrawn from the 1933-4 issuances also held by the Federal Reserve Agents.

Our objective was to identify by serial number which notes came out during the war. We can calculate the serial numbers on the notes that were held by the Bureau of Engraving and Printing (**Table 1**). However, there appear to be no data for the unissued notes held by the Federal Reserve Agents at the twelve banks except San Francisco, and, of course, there are no records for the serial numbers on the circulated fit notes that were recycled.

What we know of the depression issues is that \$460,900,000 worth of the notes were sent to the Federal Reserve Agents at the 12 banks, but only \$284,903,250 were released to the banks and entered circulation. The remaining \$175,996,750 went into storage with the Federal Reserve Agents.

Table 1. Serial numbers on the Series of 1929 Federal Reserve Bank Notes held by the Bureau of Engraving and Printing on December 7, 1942. It is assumed that the notes were released to the Federal Reserve Agents at the twelve banks in serial number order. All of the notes listed here were issued during World War II.

	\$5	\$10	\$20	\$50	\$100
Boston	A02176001A-A03180000A	A01180001A-A01680000A	A00720001A-A00972000A	none printed	none printed
New York	B01928001A-B02100000A	B02824001A-B05556000A	B01668001A-B02568000A	B00504001A-B00636000A	B00252001A-B00480000A
Philadelphia	C02276001A-C03096000A	C01036001A-C01416000A	C00316001A-C01008000A	none printed	none printed
Cleveland	D02232001A-D04236000A	D01404001A-D02412000A	D00944001A-D01020000A	D00208001A-D00684000A	D00040001A-D00276000A
Richmond	none printed	E00272001A-E01356000A	E00552001A-E01632000A	none printed	E00036001A-E00192000A
Atlanta	F00876001A-F01884000A	F00468001A-F01056000A	F00184001A-F00960000A	none printed	none printed
Chicago	G02112001A-G05988000A	G00812001A-G03156000A	G00792001A-G02028000A	G00000001A-G00300000A	G00276001A-G00384000A
St. Louis	none	H01372001A-H01584000A	H00192001A-H00444000A	none printed	none printed
Minneapolis	none	I00400001A-I00588000A	I00300001A-I00864000A	I00000001A-I00132000A	I00000001A-I00144000A
Kansas City	J00656001A-J02460000A	J01000001A-J01284000A	J00256001A-J00612000A	J00020001A-J00276000A	J00012001A-J00096000A
Dallas	none	none	K00384001A-K00468000A	K00144001A-K00168000A	K00024001A-K00036000A
San Francisco	none	L00600001A-L01080000A	none	L00352001A-L00576000A	none printed

The big unknown involves the unissued notes stored by the Federal Reserve Agents. That group is carved out of the middle of the Series of 1929 printings. The problem is that data are not available showing the high serials issued by any of the banks during the depression, except serials we can calculate for San Francisco.

Even so, useful insights emerge. For example, we can state unambiguously that the entire printings of certain denominations for a few districts were used exclusively during the war. We also have all the data we need to understand the San Francisco issuances.

But before we delve into the details, we must first explain how the 1929 FRBNs came to be issued during WW II. That is a fascinating story in itself.

Legality of the WW II Issues

The Series of 1929 FRBNs were an emergency currency designed to inflate the money supply during the banking crisis of 1933-4 by allowing the Federal Reserve Banks to accept certain classes of commercial paper from member banks and to use that paper as collateral for the issuances of the notes. The collateral was to be deposited with the Federal Reserve Agent at each bank. The agent represented the interests of the Treasurer of the United States and Comptroller of the Currency, not the bank. The notes were to be drawn from those agents by the Federal Reserve Banks against the collateral deposits.

The role of the twelve Federal Reserve Agents was to order new stocks of notes from the BEP and hold them until they were formally issued to the banks. The agents also handled redeemed notes. All notes, new or redeemed, while in the hands of the agents were not counted as outstanding circulation for any purpose.

The crucial language in the Emergency Banking Act of March 9, 1933, that allowed for use of the Series of 1929 notes during the war was the following.

No such circulating notes shall be issued . . . after the President has declared by proclamation that the emergency recognized by the president by proclamation of March 6, 1933, has terminated, *unless such circulating notes are secured by deposits of bonds of the United States bearing the circulation privilege.*

The italics are ours, and represent the loophole used by Roosevelt treasury officials to release the unissued residuals during the war. The emergency releases of the notes ceased in 1934. However, the non-emergency WW II issues would be secured by U. S. bonds.



Table 2 reveals that 85 percent of the Cleveland \$100 Series of 1929 notes were released during WWII. It is reasonably, but not totally, certain that this low numbered note was issued during the Emergency Banking crisis of 1933-4. The only way it could have survived unissued until WWII would be if it was in the unissued stock held by the Cleveland Federal Reserve Agent at the bank.

Incentive for Issuing the Notes and Implementation

The nation's wartime economy was expanding rapidly during 1942 to meet the challenge. BEP production capacity already was strapped by all sorts of wartime demands, yet the Federal Reserve Banks were pressing for ever increasing printings of new currency. There was \$11.1 billion in circulation in 1941, but that had already grown to \$15.4 billion at the end of 1942, with insatiable demand on the immediate horizon (Board of Governors, 1943, p. 79).

Chester Morrill, secretary of the Board of Governors of the Federal Reserve System acting on behalf of the Federal Reserve Board, proposed the use of the old 1929 notes in a letter to Secretary of the Treasury Henry Morgenthau Jr. dated November 20, 1942, as follows:

During the past year the amount of money in circulation has increased approximately \$4 billion, and during recent weeks it has been increasing at the rate of \$500 million a month. This rapid increase in money in circulation has created a serious problem in printing sufficient Federal Reserve notes to supply the demand. It has also reduced sharply the amount of excess reserves of member banks at a time when these reserves are needed to help finance the war.

There is one way in which this situation can be alleviated which would be highly desirable at this time in view of the coming large scale financing. At the time of the Banking Holiday in 1933, the Board after consultation with the Secretary of the Treasury had a substantial volume of Federal Reserve Bank notes printed to meet emergency conditions existing at that time. Approximately \$650 million of the Federal Reserve Bank notes printed at that time were not used and are now on hand at the Bureau of Engraving and Printing in Washington and at the Federal Reserve Banks. The use of these notes would greatly ease the currency printing program; under the procedure proposed it would provide member banks with an additional \$650 million of reserves; and would give the Treasury the use without cost to it of that amount of money for the period that the Bank notes would remain outstanding (approximately a year and a half).

In the circumstances the Board favors the immediate use of these Bank notes. After issuing the Federal Reserve Bank notes to the Federal Reserve Banks in accordance with Treasury regulations, the Treasurer of the United States would be given credit in his General Account on the books of the Federal Reserve Banks for the full amount of notes issued. The notes would then become a liability of the Treasury instead of the Federal Reserve Banks. There is attached a draft of a wire to the Federal Reserve Banks authorizing them to take immediate steps to place these notes in circulation, which the Board plans to dispatch to the Federal Reserve Banks promptly, if your Department sees no objection thereto. There are now about \$18 million of Federal Reserve Bank notes in circulation.



There are two salient ideas in Morrill's letter. The old notes would fill an immediate need and by implication result in a savings in terms of printing, and, more subtly if handled right, their use would increase both the reserves of the Federal Reserve Banks and the Treasury for the period during which the notes were outstanding. Additionally, the fact that there was still \$18 million outstanding from the 1933-4 issues implied that people wouldn't be surprised to see more of the provisional looking notes.

The telegram reproduced below, which Morrill authored and supplied with his letter, explained how the notes should be handled. It represents creative thinking.

Decision has been reached with approval of Treasury to pay out present stock of Federal Reserve Bank notes. Board suggests that your Bank obtain from Agent its entire stock of such notes including those held in Washington and that prompt arrangements be made for their use in meeting demands for currency. The notes should be issued to the Bank . . . against security of United States Government obligations held by your Bank in System Open Market account. Immediately thereafter Bank's liability should be extinguished (and collateral withdrawn) by crediting United States Treasurer's General Account with amount of notes issued so that Bank's daily balance sheet will at no time show liability for Federal Reserve Bank notes. As no Bank notes will be placed in circulation on which Bank has liability, it will not be necessary to establish a redemption fund for Federal Reserve Bank notes or to pay a tax on the amount of such notes in circulation.

The essence of these machinations is that the Federal Reserve Banks would collateralize the notes with U. S. bonds deposited with the Federal Reserve Agents at the banks, the notes would be issued to the banks, the banks would immediately deposit a credit for the value of the notes with the Treasury for the redemption of the notes from its surplus accounts and retrieve their collateral. Notice that the banks would have an increased dollar reserve with the Treasury for all the notes that remained outstanding, and the Treasury would also have an increase in its assets for the same period as well!

At top: Although no San Francisco \$20s were among the Series of 1929 Federal Reserve Bank Notes in storage at the BEP in 1942, Table 3 reveals that this particular note was held by the San Francisco Federal Reserve Agent until World WarII when it was issued to the bank and released into circulation.

Above: As shown on Table 1, this \$5 note with serial D03691483A was unambiguously issued from the BEP stockpile during WWII.



At top: 92.7 percent of the Series of 1929 Kansas City \$50s were issued during WW II from the BEP stockpile in Washington. This is one of them, and this variety is one of the most commonly available of the high grade Series of 1929 notes.

Above: Here is one of those low grade 1929 FRBNs that is such a glut on the market. Unfortunately this one was spared being spent a long time ago because of the minor gutter fold that affects only the overprint. We say unfortunately because this is one of those notes you save that never appreciates faster than the interest you are losing by hanging on to it!

Furthermore, because the notes would no longer be the liability of the banks, the banks wouldn't have to pay taxes on them as provided for in the enabling legislation of 1933. Being the liability of the Treasury, the notes would be redeemed by the Treasury similar to United States notes without having to be sorted by Federal Reserve District.

The original issues of FRBNs from 1933-4 were virtually identical to national bank notes in how they were secured and how they were redeemed, the main difference being a more lenient securities clause. In contrast, the WW II FRBNs functioned as Treasury currency rather than Federal Reserve circulation because they were the liability of the Treasury from the outset. Thus they were circulated, redeemed and accounted for like United States Notes, not nationals. Pritchard (1947, p. 163) came to the same conclusion, noting that the immediate deposit of lawful money to retire the circulation made the FRBNs a type of Treasury currency.

Under Secretary of the Treasury D. W. Bell replied to Morrill's letter on December 7. The 2nd and 3rd paragraphs of his reply follow.

I have been asked by Secretary Morgenthau to advise you that the proposed use of these Federal Reserve Bank notes at this time meets with his approval.

It is noted that your proposed telegram to the Federal Reserve banks, authorizing them to take immediate steps to place these notes in circulation, contemplates the releases to the banks immediately of the entire amount of notes available, for which such bank would deposit lawful money in the Treasury for their redemption. It is suggested that in lieu of this procedure arrangements be made whereby the bank notes will be released to the banks at a rate approximately equal to the rate at which the notes are paid into circulation, and at such times deposits of lawful money for the redemption of the notes be made with the Treasury of the United States.

The plan was set in motion, but the effects of pumping up the bank reserves and Treasury balances were to be moderated by limiting the deposits with the Treasurer to the rate of actual use of the Series of 1929 notes. Treasury's view was to use the FRBNs as temporary one-for-one substitutes for retired Federal Reserve Notes until the FRBN supply was depleted. Actual increases in the total supply of Federal Reserve Notes were to be handled using established traditional procedures.

The following press release from the Board of Governors of the Federal Reserve System was issued on December 12th.

As a part of the program of the Government to conserve both labor and materials during the war period, the Board of Governors, after consultation with the Treasury Department, has authorized the Federal Reserve Banks to utilize at this time the existing stock of currency printed in the early Thirties known as "Federal Reserve Bank notes." The stock of these notes, which is in \$5, \$10, \$20, \$50 and \$100 denominations, amounts to approximately \$660,000,000. By making available for use, as needed, this stock of unissued paper currency, which is identical with Federal Reserve Bank notes now in circulation, it is estimated that more than \$300,000 will be saved in the cost of printing new currency. In terms of labor and materials, there would be a savings of 225,000 man hours in printing alone, and of 45 tons of paper in addition to a substantial saving of nylon and ink.

The use of the old notes was now being spun in terms of conservation of critical resources needed to further the war effort on the home front.

Release of the WWII FRBNs

The *New York Times* reported on December 20, 1942, that \$660,000,000 in "unfamiliar" notes was being released to "relieve the burden of the Bureau of Engraving and Printing in the nation's capital." "The bills going into circulation are Federal Reserve bank notes which were issued at the time of the banking crisis in 1933 and then withdrawn quickly."

The *Times* advised its readers that "Most of the Federal Reserve bank notes are crisp and new, although a portion of the issue is classified as 'fit currency,' namely slightly used but serviceable."

More than \$190 million worth of FRBNs were in circulation by the end of December 1942 (*Federal Reserve Bulletin*, February, 1943, p. 153). Treasury reports reveal that a total of \$623,777,500 in FRBNs had been released by June 30, 1943, representing 95 percent of the entire WW II releases. The remaining 5 percent, \$35,920,000, were released before June 30, 1944. In total, \$659,697,500 in FRBNs was released during the war.

The rapid deployment of the notes is apparent from Federal Reserve monthly reports. Only \$18 million worth of Series of 1929 FRBNs from the 1933-4 banking crisis remained outstanding in November 1942. Six months later, in May 1943, \$584 million were in circulation.

Moreover, the WW II releases were left to circulate until they wore out in contrast to the deliberate removal of the FRBNs from circulation in the 1930s as the securities used to back them were withdrawn. Between \$450 to \$500 million was still in circulation at the end of the war.

Controversy Over the WWII FRBN Issues

The release of the Series of 1929 FRBNs didn't go without notice by conservative Congressmen who harbored serious reservations that the Roosevelt Treasury was playing fast and loose with the money supply owing to the "or other

securities” clause on the notes and the slick transfer of the liability for them to the Treasury. Congressional debate ensued within weeks of the Federal Reserve Board’s announcement that they would be used.

Feeling the heat, the annual report of the Federal Reserve Board dated December 31, 1942, touted the wartime benefits gained from using up the FRBNs, but stated defensively that “No Federal Reserve Bank notes have been printed since 1933 and the Board of Governors has no plans for the printing of additional stocks of such notes.” (Board of Governors, 1942, p. 50)

Senator Robert A. Taft, Republican from Ohio and staunch foe of New Deal era financial policies, questioned on the floor of the Senate on February 4, 1943, how such “fiat money” could be issued legally (*Congressional Record*, Feb. 4, 1943, v. 89, p. 585-587). The Federal Reserve arrangement to issue the notes and then immediately transfer the liability to Treasury was seen as slight of hand to put backless inflationary currency into circulation. Taft stated “the Treasury has dug up another method of printing paper money, and I should say that it falls in the most dangerous class of inflationary action. . . . If the Treasury can issue \$660,000,000 worth of notes -- notes which were printed 10 years ago -- it can also print \$10 billion. . . . The situation presents a wide-open field for pure inflationary issuance of paper money.” He called for the immediate retirement of the FRBNs from circulation and introduced Senate Bill 658 to repeal the act that authorized their issuance.

Treasury and the Federal Reserve Board officials responded forcefully to the allegations that the use of the old FRBNs was done illegally. Marriner S. Eccles, Chairman of the Federal Reserve Board of Governors, wrote to Senator Taft and the Senate Banking and Currency Committee to advise that Federal Reserve attorneys had conclusively found “the notes were issued in strict compliance with the law and the regulations thereunder” (*Congressional Record*, v. 89, Feb. 4, 1943, p. 586).

On February 1, 1943, Under Secretary of the Treasury Bell also wrote Senator Taft about the FRBNs, noting “These notes, as you know, are being issued by the Federal Reserve banks at the direction of the Board of Governors of the Federal Reserve System. The Board of Governors consulted the Treasury prior to directing their issuance and the Treasury approved this action.” Bell reiterated the need for more currency and the substantial savings that would accrue to the nation by putting the old stock of FRBNs into use (*Congressional Record*, Feb. 4, 1943, v. 89, p. 587).

By May, Senate Bill 658 was amended to require that Treasury immediately withdraw the FRBNs from circulation in addition to repealing the authority that enabled further issues. Again the proposed legislation was opposed by Eccles and Bell, and failed to pass.

However, both men advised the Senate that they saw no need to print or issue more FRBNs. In the words of Eccles “For some time past it has been evident that there is no need for the continuation for the authority contained in paragraph 6 of section 18 of the Federal Reserve Act, as amended, and the Board has no objection to its repeal, which action section 1 of the bill would accomplish.” (*Congressional Record*, May 12, 1943, v. 89, p. 4250)

Congressional opposition to the FRBNs continued to be vocal, but the repeal legislation lost momentum once the existing supply of FRBNs was consumed. It took opponents of the FRBNs until 1945 to see to it that Federal Reserve Bank Notes would not reappear.

The End of FRBNs

Senator Robert F. Wagner, Democrat from New York and Chairman of the Senate Committee on Banking and Currency, introduced new legislation on April 25, 1945 that would lower reserve requirements for Federal Reserve banks

Table 2. Percentages of Series of 1929 Federal Reserve Bank Notes that were in storage at the BEP on December 7, 1942, and issued during WW II. Percentages calculated as number of notes stored at the BEP/number printed.

	\$5	\$10	\$20	\$50	\$100	Total for district
Boston	31.57	29.76	25.93	none printed	none printed	30.11
New York	8.19	49.17	35.05	20.75	47.50	36.72
Philadelphia	26.49	26.84	68.65	none printed	none printed	34.28
Cleveland	47.31	41.79	7.45	69.59	85.51	44.04
Richmond	none printed	79.94	66.18	none printed	81.25	72.96
Atlanta	53.50	55.68	80.83	none printed	none printed	60.82
Chicago	64.73	74.27	60.95	100.00	28.13	66.33
St. Louis	0	13.38	56.76	none printed	none printed	20.14
Minneapolis	0	31.97	65.28	100.00	100.00	42.62
Kansas City	73.33	22.12	58.17	92.75	87.50	58.88
Dallas	0	0	17.95	14.29	33.33	5.52
San Francisco	0	44.44	0	38.89	none printed	24.24
average for denom	42.31	45.22	46.55	55.70	60.20	

in order to help finance the war (*Congressional Record*, Apr 25, 1945, v. 91, p. 3761-3762). Wagner noted the legislation “would also repeal certain unnecessary provisions of law relating to the issuance of currency . . .” Wagner supported issuance of Federal Reserve Notes, and was not concerned with the elimination of the FRBNs.

Wagner stated “It has been thought desirable to discontinue two other sources of currency issues. One is Federal Reserve bank notes, which require no reserves and which were introduced in 1933 when reserve and credit conditions were such that a provision for special emergency currency was necessary.” The other was \$3 billion in additional United States Notes authorized in the Agricultural Adjustment Act of May 12, 1933, but never issued (*Congressional Record*, Apr 25, 1945, v. 91, p. 3762).

Section 3 of an Act passed June 12, 1945, voided the provisions by which the Federal Reserve Banks could issue Federal Reserve Bank Notes. That section stated:

All power and authority with respect to the issuance of circulating notes, known as Federal Reserve bank notes . . . shall cease and terminate on the date of enactment of this Act.

Identification of the WW II Issues

Naturally collectors interested in the Series of 1929 FRBNs would like to know the serial numbers for the \$659,697,500 worth that came out during the war. Slightly more than two hundred million dollars, \$208,897,500, worth of these were held by the Federal Reserve Agents at the twelve banks at the end of 1942, broken down as \$175,996,750 in the form of unissued notes and \$32,900,750 in fit notes withdrawn from circulation from the 1933-4 issuances. The remaining \$450,800,000 consisted of unissued notes in storage at the Bureau of Engraving and Printing.

There are, of course, no serial number data for the \$32,900,750 in fit notes that were recycled. This leaves \$626,796,750 in new notes released during the war.

We can calculate the serial numbers on the last \$450,800,000 worth of the \$626,796,750, because those notes were stored at the Bureau of Engraving and Printing and we discovered a handwritten ledger sheet prepared in the Division of

Table 3. The timing of the release of new Series of 1929 Federal Reserve Bank Notes by the Federal Reserve Bank of San Francisco. These data assume that the notes were released from the Bureau of Engraving and Printing to the San Francisco Federal Reserve Agent in numerical order, and then released by the agent to the bank in numerical order.

	Issued in 1933-4	Serials held by SF FR Agent in 1942 & issued in 1942-3	Serials held by BEP in 1942 & issued in 1942-3	Last Serials Issued
\$5	1-360000	none	none	360000
\$10	1-428000	428001-600000	600001-1080000	1080000
\$20	1-460000	460001-888000	none	888000
\$50	1-12000	12001-352000	352001-576000	576000
\$100				none printed

Paper Custody that details the dollar value of those notes (Bureau of the Public Debt, various dates). The resulting tabulation appears as **Table 1**. **Table 2** shows the percentages of each of the 1929 printings in the BEP stock.

There were \$175,996,750 worth of unissued notes in the hands of the twelve Federal Reserve Agents left over from the 1933-4 banking emergency. These represent the middle group of serials between those issued in the banking emergency and those in the BEP stock. This is the group that gives us heartburn.

Records showing the last serial numbers issued during the banking emergency do not appear to exist, so there is no way for us to pin down the serial number ranges for the middle group. Co-author Lofthus attempted to obtain these missing data from the Federal Reserve Board. However the agency people were able to find data only for the San Francisco bank (Morrill, 1952).

Of course, we were very grateful to obtain the San Francisco data. The complete data for that bank appears on **Table 3**.

The unissued notes held by the San Francisco Federal Reserve Agent amounted to \$27,280,000. Therefore the uncertain middle group for the other eleven banks has been whittled down to \$148,716,750, or 16.3 percent of the total Series of 1929 FRBN printing.

Perfection does not appear to be possible for the other eleven banks, but we believe valuable insights can be drawn from the data presented here.

For example, notice from **Table 2** that all the \$50 Chicago and all the \$50 and \$100 Minneapolis notes came out during the war.

It is also clear from **Table 2** that the smaller denominations preferentially were used during the depression. Those that largely came out during the depression tend to be the scarcer varieties.

The complete data available for San Francisco on **Table 3** demonstrate that caution is necessary when evaluating the data on **Tables 1 and 2**. Notice on **Table 1** that all the San Francisco \$5s and \$20s had been shipped to the San Francisco Federal Reserve Agent during the banking emergency. However, this fact does not necessarily imply that those notes were issued during the 1933-4 period.

Table 3 reveals that all of the San Francisco \$5s were issued during the banking emergency, but, in contrast, only 48 percent of the \$20s went into circulation then. The rest of the \$20s were held unissued by the agent until WW II. This is the reason the \$5s are very scarce, whereas the \$20s are available.

The data for the San Francisco \$50s illustrates a pitfall if one neglects the fact that substantial stocks of unissued notes were lurking in the hands of the Federal Reserve Agents. Notice from **Table 2** that 38.9 percent of the \$50 printing was held by the BEP until the war. However, **Table 3** reveals that another 59 percent of the printing was being held by the agent. The result was that 97.9 per-

cent of the total printing of San Francisco \$50s came out during the war, not 38.9 percent!

Let's say you wanted to collect only the WW II issues. One approach to this would be to collect only those serials listed on **Table 1** or the appropriate San Francisco groups from **Table 3**. There is no ambiguity about any of these. Obviously, many lower serials were issued during the war, but at this point we can't conclusively demonstrate that fact.

One fact that needs to be pointed out about the Series of 1929 FRBNs is that the entire printing reached the public. There were no leftovers that were canceled for some reason or another, other than unneeded star notes at the BEP.

WW II Releases and Rarity

The issuance of most of the 1929 FRBNs during WW II explains why so many are available on the numismatic market: \$165 million were in circulation in 1955, ten years after the war; \$68 million remained out in June 1965 twenty years later (Secretary of the Treasury, 1956 & 1966). The result is that low grade examples are a glut on the market.

Huntoon would occasionally get one from circulation though teller contacts in the 1960s and 1970s. The first was a \$5 Philadelphia, C02495654A in about fine condition that he got at The Valley National Bank office in Nogales, Arizona, in 1964. In that instance, he asked the first available teller if she would let him look through her \$5s for unusual notes. This she did, and he was startled to find this odd looking brown seal note. It came a year after he started collecting paper money and was the first FRBN that he had ever seen.

Gradually they stopped appearing at the banks, but by then everyone had socked away too many of them because they looked unusual. Huntoon used to spend the low grade examples, and sell the high grade pieces for a pittance. For example Chris Schlather, a dealer friend, obtained a run of choice Uncirculated low number Philadelphia \$20s with serials in the 830-840 range that he would wholesale to Huntoon in the late 1960s for \$25, and Huntoon would retail at \$40. However, it sometimes would take several months to find a buyer at such an inflated level.

Series of 1929 star notes are very popular these days, and some are downright rare. Huntoon used to buy the stars when they came along because they would sell if priced reasonably. Here are the stories for four of them.

- \$20 H00001863* Fine purchased for \$22 from a teller at the Southern Arizona Bank in Tucson in 1965, traded away ten years later for something better.
- \$50 B00004324* VF purchased for \$53 in 1967, sold for \$65 a week later.
- \$50 J00003382* VF purchased for \$55 in 1973, sold for \$62.50 a week later.
- \$100 J00011721* VF-XF purchased for \$100 from a collector in 1972, sold for \$115, but it took three weeks to find a buyer for that note because of its face value. The serial was 279 from the end of the \$100 J* printing.

Acknowledgments

James Downey and Jamie Yakes supplied useful Federal records and newspaper articles that contributed to this article.

Sources for the Totals in the Order of their Appearance in the Text

\$911,700,000	Series of 1929 printed	Comptroller of the Currency (1937, p. 247)
\$626,796,750	new notes issued during war	\$450,800,000 + \$175,996,750
\$284,903,250	issued during depression	Comptroller of the Currency (1937, p. 247)
\$659,697,500	total issued during war	Secretary of the Treasury (1943, p. 215 & 1944, p. 197)
\$32,900,750	recycled fit notes issued during war	\$284,903,250 + \$659,697,500 - \$911,700,000
\$450,800,000	in storage at BEP in 1942	Comptroller of the Currency (1937, p. 247)
\$175,996,750	new notes held by FR Agents in 1942	\$460,900,000 - \$284,903,250
\$460,900,000	total shipped to FR Agents in 1933-4	Comptroller of the Currency (1937, p. 247)
\$208,897,500	new & used held by FR Agents in 1942	\$175,996,750 + \$32,900,750
\$27,280,000	held by SF FR Agent in 1942	computed from data in Morrill (1952)
\$623,777,500	issued 1942-June 30, 1943	Secretary of the Treasury (1943, p. 215)
\$35,920,000	issued July 1, 1943-June 30, 1944	Secretary of the Treasury (1944, p. 197)

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SPMC Award Nominations Requested

Please send nominations for the following awards to Benny Bolin, at smcbb@sbcglobal.net.

Nominations are needed for:

- Nathan Gold Award—Lifetime achievement award;
- Founders Award—for outstanding achievement and/or contributions in the past year;
- Forrest Daniel Award—for literary excellence.



Annie F. Morrill, National Bank President

by Karl Sanford Kabelac

KENT, WASHINGTON IS A COMMUNITY IN KING COUNTY IN western Washington State, located between Seattle and Tacoma. Today it is an urban area reflecting its great growth after World War II. But a century and more ago it was a rural agricultural area.

James Merrifield and his wife Annie were early settlers in the area. She was born in 1865 in West Virginia of parents who were natives of Maine. He died in the Alaska Gold Rush of 1898, leaving her with a young son.

Several years later she married Merton M. Morrill, a widower with several children. Also an early settler in the area, he had come to Kent in 1887. A merchant, he had made three financially successful trips to Alaska during the Gold Rush to sell merchandise. He also had served as mayor of Kent and a term in the state legislature.

He founded the M. M. Morrill Bank in Kent in 1901. A decade later, in declining health, he converted it to a national bank early in 1912 (charter #10174) to give it a broader managerial base.

He died at the age of 58 on May 7, 1913, at their home in Kent. His widow, Annie F. Morrill, then succeeded to the presidency. She served for about a decade, relinquishing the office in 1923.

She continued to live in Kent, where she died in the family home on February 1, 1955, at the age of 89. Her obituary noted she was a "Kent pioneer, banker and civic leader," active in several local organizations and had been a candidate for mayor of Kent in the early 1920s.

The bank remained independent until July 1937, when it was taken over by the Peoples Bank and Trust Company of Seattle. The bank building still stands in downtown Kent, and is now a religious book and gift shop.

Sources and Acknowledgements

An obituary for Merton M. Morrill is found in *The Kent Journal* for May 8, 1913, and one for Annie F. Morrill in the *Kent New-Journal* for February 10, 1955. Of the several histories of Kent, the most useful for banking history, albeit with several typos and factual errors, is C. E. Cameron, *History of Kent Washington, U.S.A. and Its Heritage* (1978), p 211-2. The help of Andrew Wickens of the Kent Regional Library is gratefully acknowledged. ♦

Series 1902 First National Bank of Kent national bank note with the signatures of Annie F. Morrill as president and D. T. Coleman as cashier. (Courtesy of Lyn Knight Currency Auctions)

The Northampton Bank

A History of the Pennsylvania Bank

by S.D. Reiss, SPMC #4055

A SMALL VILLAGE IN THE LEHIGH VALLEY OF EASTERN Pennsylvania was founded by William Allen in 1762. The son of William Allen (Sr.?), a wealthy shipping merchant, William Allen was born in Philadelphia on August 5, 1704, and in later life, became the mayor of the city of Philadelphia and Chief Justice of the Province of Pennsylvania. His youth was spent in England but upon completion of his education, he returned to Philadelphia and entered his father's business. In 1725, upon the death of his father, William inherited the mercantile business and, through astute business practices and real estate purchases, increased his wealth substantially. In the year 1735, Allen purchased 5,000 acres in the Lehigh Valley near the Lehigh River.

During the period of 1735 and 1762, immigrants (largely Germans) populated this area due to the excellent farm land. Being farmers in Germany, they cleared and cultivated large tracts (150 to 300 acres) and lived in isolation from one another with no community attachment. As the farms developed and became more than self-sufficient, a problem arose relative to disposal or sale of surplus crops. As there were small villages and townships in the surrounding countryside, several days travel was necessary to bring products to these markets as the roads in this largely unstructured area were almost non-existent.

William Allen, the astute businessman, envisioned the need for an area market town and proceeded to establish a small village on 700 acres of his holdings. The area was surveyed in 1761 and by 1762 streets and lots were identified. A large area at the crossroads of the main streets (Hamilton Road and Allen Road -- present day Allentown's Hamilton Street and Seventh Street) was designated as the market square. New immigrants and carpenters, blacksmiths and other skilled tradesmen from the outlying areas began to move into the village. As the farmers brought their products to this central location, the "farmers market" thrived, bringing the residents from the outlying area into the village. The land lay in the confines of Northampton County and the village was officially named Northampton Town. Although it was platted and registered by its official name, its earliest inhabitants referred to it as "Mr. Allen's town."

From 1762 through the Revolutionary War and into the 19th century, the village grew in residents and importance. On March 18, 1811, by an act of the Legislature, it was given Borough status. The following year, by an act of the Pennsylvania Assembly, the western part of Northampton County was established as Lehigh County with Northampton Town being designated the county seat. With the county seat designation, the name Northampton was more widely used. With this growth and status, financial institutions were needed.

Banking in Northampton

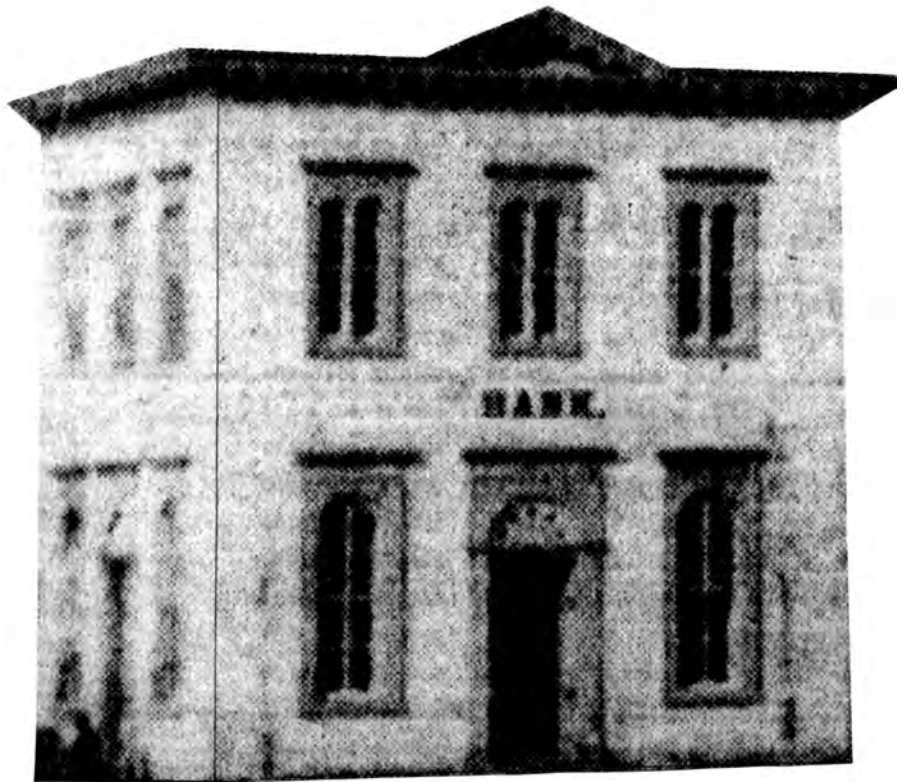
The first financial institution, The Northampton Bank, was established in the newly-formed county. By an act of the Legislature, a charter was granted on July 11, 1814, and an election of directors followed on August 12th. Twelve prominent citizens from the area comprised the board of directors with Peter Rhoads, Jr. and James A. Linton elected president and cashier respectively. Mr. Rhoads served in this capacity until his death on July 8, 1836. George Keck, a future cashier and president of the bank, was among the original board members. John Rice, also destined to be president, joined the bank in 1820 as cashier, replacing James Linton.

The Northampton Bank began business almost immediately after its organization. Its capitalization was \$123,365. The building in which it was opened and remained throughout its entire existence was an existing two-story stone structure on the northeast corner of the market square. With the continued growth of the village, its proximity to the trade centers of Philadelphia, Reading and Easton, and through solid and conservative management the bank was prosperous, surviving both depressions of 1819 and 1837. During its existence, bank notes of \$1, \$5, \$10, \$20, \$50 and \$100 were issued. The notes issued from 1814 to 1838 noted the bank's location as "Northampton." In 1838, after many years of popular usage, the town was officially renamed Allentown and bank notes issued during and after 1838 referred to this town name as its location.

The bank was one of the few in the whole country to issue notes printed in a language other than English. Notes printed in German by Draper, Underwood, Bald & Spencer were issued in the mid-1830s in the \$5 and \$10 denominations. As with their English language counterparts, these notes (pre- and post-1838) refer to the bank's location as Northampton and Allentown respectively. To my knowledge, the \$5 denomination note is only known with the Northampton reference (pre-1838).

Of the source accounts that mention the succession of presidents of the Northampton Bank, it is stated that John Eckert, Sr. ascended to the position upon the death of Peter Rhoads, Jr. (July 1836). There may have been a period of time that the bank was without a president or a temporary appointment was made as I have in my collection, three notes (\$5, Hooper(H) 282-4, \$10, H-282-8 and \$50, H-282-12) issued subsequent to Mr. Rhoads' demise. These notes are dated October 29, 1836, January 5, 1837, and March 14, 1837, respectively and are signed by George Keck as president.

It is conjecture but Mr. Keck's tenure as "president" may not have been official, if in fact, he was ever appointed to this office. These were the middle 1830s, a wild time in the financial business. In 1832, President Andrew Jackson vetoed the re-charter of the Bank of the United States (the charter was due to expire in 1836). In 1833, angered by the Bank's effort to lobby Congress to over-



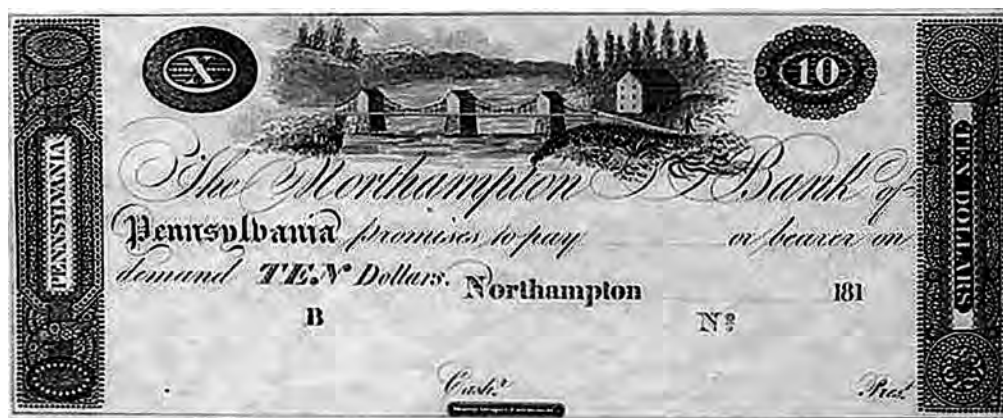
Northampton Bank, 1814-1843. This building was later occupied by The Allentown Bank from 1855 until 1871 at which time it was razed for the construction of a new bank building. The Allentown Bank became the Allentown National Bank, charter #1322, in 1865.

ride the veto, he removed all federal funds from the Bank, in effect, putting it out of business. It also removed all controls the Bank had over state bank operations, especially the requirement that compelled state banks to pay in specie the value of their notes. Speculative opportunities abounded and the primary stock in trade of American banks at this time was to issue bank notes to provide capital. As an original and senior member of the board of directors of the bank, Mr. Keck may have been authorized to sign new issues as president just to expedite their disposition into circulation.

I have not been able to ascertain a date for Mr. Eckert's appointment or election to the presidency of the Northampton Bank. Of the two notes I have signed by John Eckert as president, the earliest is dated January 16, 1838. John



Hoover unlisted -- Haxby PA 370-G18 Original 1814-1820s \$5 note design.



Hoover unlisted -- Haxby PA 370-G30 Original 1814-1820s \$10 note design. Vignette depicts the chain bridge over the Lehigh River destroyed in the 1841 flood.



Hoover 282-2 Early 1830s \$5 note design.

Rice was cashier. Mr. Eckert was president until his death on November 3, 1840. John Rice succeeded him and was president until the bank failed in 1843; George Keck was the cashier during the Rice presidency.

The failure of the bank was laid squarely on the shoulders of the president, John Rice. Starting in the middle-1830s when cashier, and unknown to the Board, he, with his brother Owen, made “off the books” speculative, uninsured investments in the lumber trade, management of lines of mail stages, large advances to the Lehigh Navigation and Coal Company of Mauch Chunk, Pa. (owners of the Lehigh Canal and business partner in the coal trade with John Rice’s father-in-law), and unsecured loans to other corporations and individuals, including family members. The brothers thought they had high profit, low risk investments but, unfortunately, Mother Nature intervened in a devastating way as



Hoover 282-3 Mid-1830s \$5 note design; German language.



Hoover 282-4 Mid-1830s \$5 note design. Vignette depicts the Lehigh Canal at Mauch Chunk, the home of the Lehigh Coal & Navigation Co.



Hoover 282-9 Early 1830s \$10 note design.

reported in the *Lehigh Bulletin* of January 1841:

After the intense cold weather we had the beginning of last week – on Wednesday and Thursday we had rain, with a warm southern wind, that brought on a sudden thaw. The rivers and streams, in those parts, rose rapidly – rose to unprecedented heights.

The freshet, in the Big Lehigh, was tremendous. The water was about twenty feet above low-water mark. . . . Our excellent bridge of the Big Lehigh, and toll house, are gone. . . . A large quantity of lumber and a number of boats and scows were lost. . . . About two thousand tons of coal is gone. . . . The canal has sustained some injury.



Hoover 282-9a Early 1830s issued \$10 note.



Hoover 282-8 Mid-1830s \$10 note design; German language.



Hoover 282-11 Mid-1830s \$20 note design.

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With "The Great Flood of 1841" disaster, the Rice brothers' investments were wiped out. To cover the losses and recoup some money for the bank, John Rice sold or made assignments of bank assets to companies and investors from Boston, New York and Philadelphia. .

The credit of the bank began to fail in 1842 and strenuous efforts were made to sustain the institution - but to no avail. On March 23, 1843, after a special meeting of its board of directors, it was decided the Northampton Bank would temporarily close until a full report of its affairs could be made. It was scheduled to resume business on April 25. The Northampton Bank never opened its doors again. The end came as a result of the investigation committee report on July 10, 1843, which stated:

The deficiency, admitting the assets in value as they appeared upon the books of the bank, amounted to \$263,059.11. Add to this amount such assets as are considered worth nothing (but taken in the foregoing as good), \$68,990.34, and the loss amounts to \$322,049.45. Should to this amount the probable loss of the mortgage loan be added, . . \$66,500 it would swell the deficiency to \$398,549.45. To this amount is to be added the items of dividends unpaid \$6414.85, contingent fund \$2419.60, discount and interest \$1750.72 and profit and loss \$847.89, amounting together to the enormous deficiency of \$409,982.51.

When they noted the cash assets of the bank, the investigators listed \$2.19 in negotiable assets (\$1.50 worth of state relief notes and 69 cents in coins) and securities backed by stocks in Pennsylvania canals.



Hoover 282-12 Mid-1830s \$50 note design.



Hoover 282-13 Mid-1830s \$100 note design.

An appendix to the report stated the obituary for the Northampton Bank:

The committee under these circumstances would respectfully recommend to such of the assignees as have been approved by the stockholders to pursue such a course as will speedily bring the fallen institution to a close

A subsequent July 15th meeting of the Board of Directors identified the misdemeanors, misappropriation of funds and assets and the lack of fiduciary responsibility against John Rice as cashier and president and:



Hoover 9-18 Post 1838 \$5 note design.



Hoover 9-20 Post 1838 \$10 note design; German language.



Hoover 9-19 Post 1838 \$10 note design.



Hoover 9-21 Post 1838 \$20 note design.



Hoover unlisted -- Haxby PA 370-G74 1841 \$1 note design. Pennsylvania Relief Act note; required redemption in specie.

Resolve; That John Rice, president of said institution, be and he is hereby expelled from the Board, and that his official function as president of this bank immediately cease.

Thus, the life of The Northampton Bank ended. The bank's shares, held by many Allentonians, became worthless. People lost their savings deposits and the value of the bank's notes in circulation disappeared. The bank's failure, a severe blow to the community, had an impact which was long felt. A tidal wave of litigation followed that was to last for the next thirty years.

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An open letter to readers of *Paper Money*:

For most of my 10 years as Editor of *Paper Money*, I have been soliciting SHORT, meaningful articles. The truth is that the quickest lane to having your articles published in any periodical is to give the Editor what he/she wants. There are a number of short articles in this issue, that are excellent. There are lengthy ones for which we are famous too, but an article needn't be exhaustive to inform/entertain our membership. The other side of the note is that short pieces generally take less time for an author. -- **Fred Reed** ♦

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The Origin of Dixie

by Hal Hopson

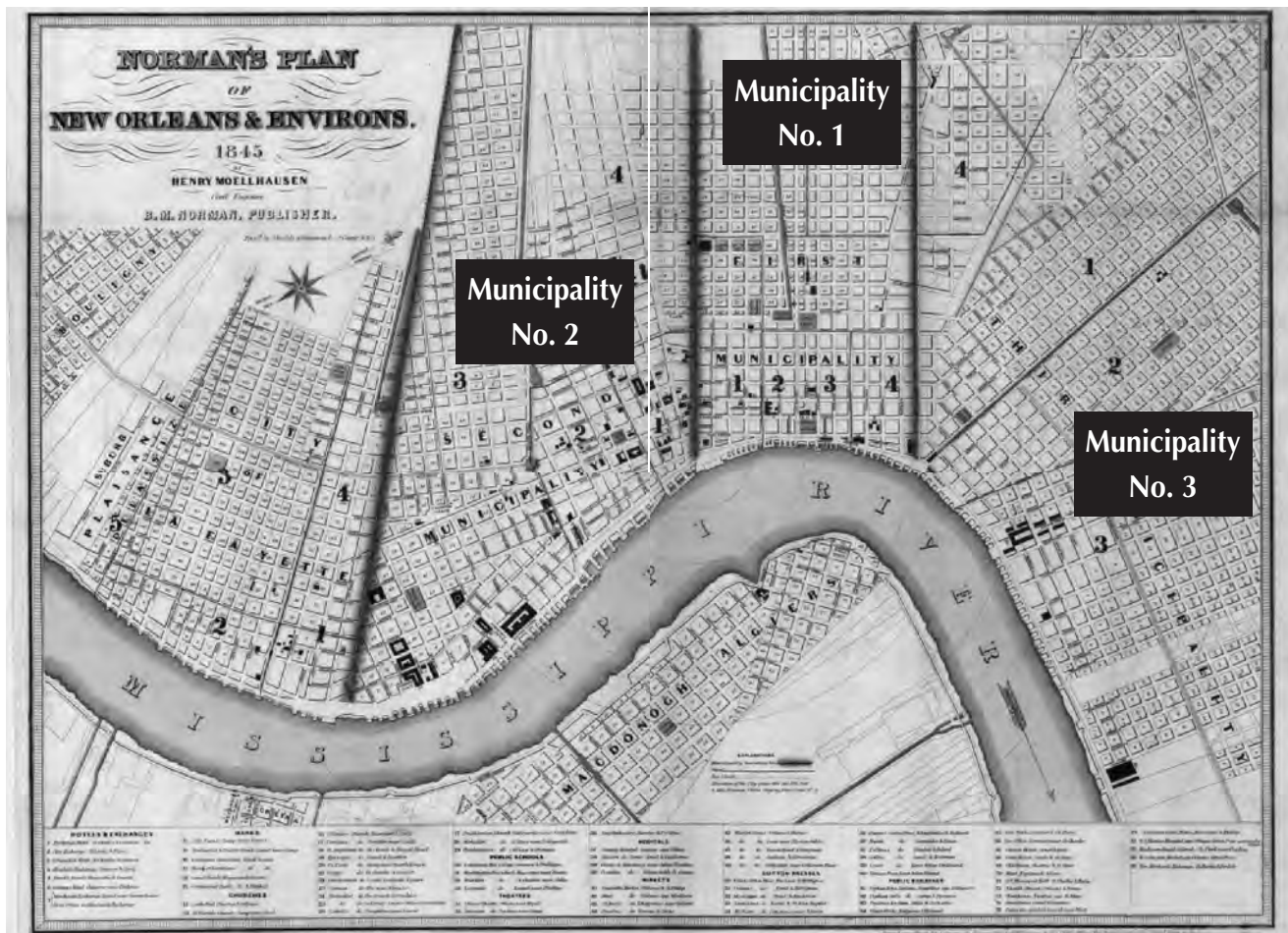


New Orleans from its southern docks is depicted in A.R. Waud's lithograph for D. Appleton & Co., New York, 1873. (Library of Congress)

IN THEIR COLLABORATIVE BOOK, *WAY UP NORTH IN DIXIE*, Howard and Judith Sacks make a convincing case for a black family named Snowden from Mount Vernon, Ohio, having inspired the minstrel Daniel Emmett (also from Mount Vernon) to copy a little known song they had written. Emmett copied the song, *Dixie*, and popularized it on Broadway in 1856. Later, Phillip Werlein of New Orleans, in 1860, ignored the copyright laws and published a popular sheet music arrangement of *Dixie* that spread like wildfire throughout the South. Still, this explanation does nothing to account for the origin of the word itself. So where did the word come from?

The case has been made that Dixie stems from a corruption of the term Mason-Dixon, the boundary between Maryland, Delaware and Pennsylvania, and thus by extension, the demarcation line between the northern states and the southern states. Still, it is not readily apparent just how Mason-Dixon would have devolved into Dixie.

The case has also been made that there once was a kindly slave owner on Manhattan Island (of all places) named Dixy. His alleged beneficent ways with his slaves led to his lands being seen as some sort of Elysium of happy times with the



term finding its way into the national lexicon as Dixie by the time of the Civil War.

A more plausible explanation must lie elsewhere. To make this case one must examine the economic history of New Orleans. At the time of the Louisiana Purchase (1803) colonial New Orleanians, both those of French descent and those of Spanish descent, were by and large known as creoles; the term creole coming from the Spanish *crillo*, meaning born in the colonies. Most creoles in 1803 did not speak English and were not interested in learning any either. Few had the prescient ability to see that time and circumstance would redound to the benefit of New Orleans which went from a moribund small river town, population around 8,000, with one financial institution, to an economic colossus with more money in its thirteen banks than the federal treasury in the astonishingly short span of fifty-seven years.

By 1831, only twenty-eight years after the Louisiana Purchase, and as a result of the boom times brought on by a combination of steamboat development and expanding trade west of the Alleghenies, the value of imported and exported goods passing through New Orleans had risen to \$26,000,000. As an example of the boom times New Orleans was experiencing, in four more years that figure had more than doubled to \$53,750,000. By 1840 the population of New Orleans had exploded to 102,000 souls. The population in 1860 rose to 168,675. It was the fourth largest city in the United States and the largest in the South. In 1812 the first steamboat called on New Orleans and between 1821 and 1826 steamboat arrivals went from 287 to over 700. By 1860 more than 3,000 steamboats were docking at New Orleans annually.

Because of the enmity between the creoles and the ever increasing number of Americans who continued to pour into New Orleans as economic times picked up the creoles mostly remained in the Vieux Carre' (the original colonial settle-

Norman's Plan of New Orleans & Environs, 1845, showing Municipality nos. One, Two and Three, and Algiers south of the river. (Library of Congress)

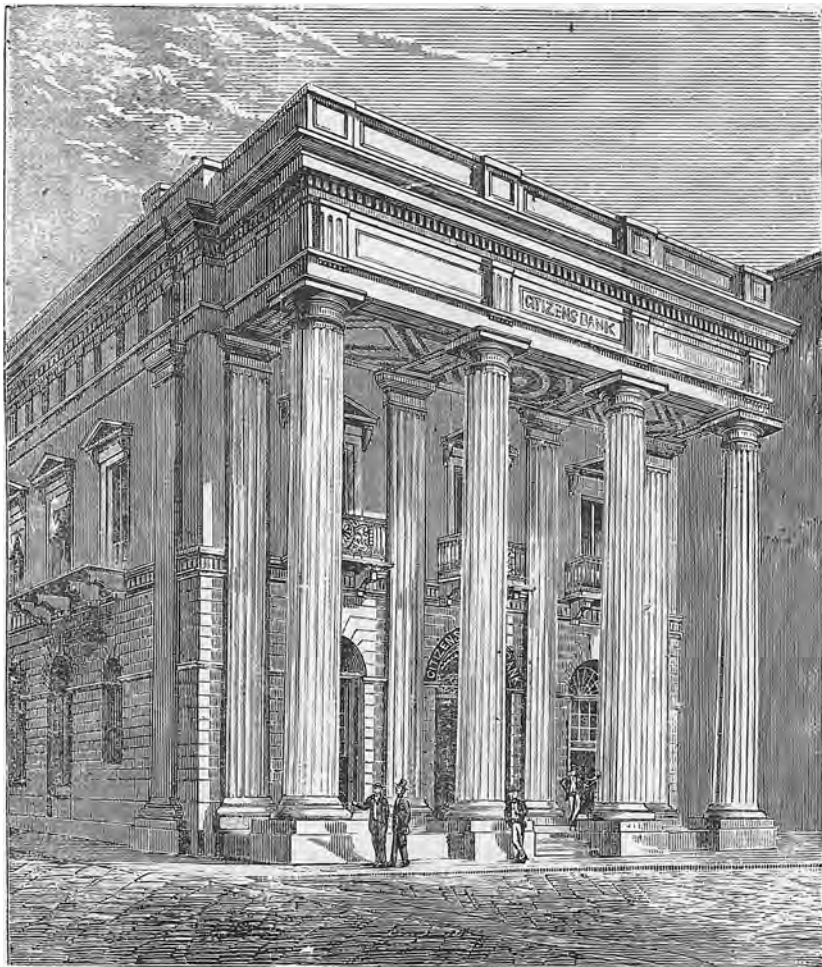


Each of the three Municipalities, nos. One, Two and Three, circulated individualistic currency. (note at top courtesy Heritage Auctions, others from author's collection)

ment) or its downriver suburb known as Faubourg Marigny, while the Americans, who were called derisively by most creoles . . . "Kaintocks," settled in the area just upriver from the Vieux Carre' known as Faubourg St. Mary. The dividing street between the creole Vieux Carre' and the Americans was Canal Street. The street was more popularly known as the "neutral ground" because it was there the two factions found it handy to conduct common business. Until this very day the term "traffic median" is virtually unused in New Orleans except by tourists. Locals still refer to traffic medians as "neutral grounds." Incidentally, Canal Street never had a canal on it.

By 1836 the animosity between creole and “Kaintock” had risen to such intolerable levels in the municipal government at New Orleans that the city council divided the government into three municipalities, each with its own courts, police, assessors, etc. Although there was a common mayor he had little power. The Vieux Carre’ and adjacent Faubourg Tremé became the first municipality. Faubourg St. Mary became the second municipality and Faubourg Marigny became the third. They met collectively only once a year and rarely agreed on anything. The three municipalities issued their own shin plasters to their employees in various denominations. Unrecognized by the established banks the shin plasters were accepted by local merchants. In 1852 both factions came to their senses and reorganized as one government in a new city hall in the American sector. The class lines between creole and “Kaintock” in New Orleans had blurred considerably as the economy continued to sky rocket.

Chartered in April 1833 and capitalized at \$12,000,000 in New Orleans was the Citizens Bank and Trust at 616 Rue Toulouse as it was known to its English speaking customers. It was better known as La Banque des Citoyens de La Louisiane to its French and Spanish creole customers. Whatever it was called the Citizens was an instant success and its credit so solid that in only three short years it was able to sell \$3,000,000 of its bonds to the great international banking firm of Hope and Company located in Amsterdam. Unfortunately the Citizens Bank got caught up in the financial panic of 1837 brought on by the non-renewal of the 2d Bank of the United States’ charter in 1832 (which did not expire until 1836). President Andrew Jackson who distrusted paper money, national banks, Nicholas Biddle, John Quincy Adams and Henry Clay (not necessarily in that order) told his vice president, Martin Van Buren: “...the bank says it will kill me Van Buren, but I



The Citizens Bank of Louisiana was reorganized in 1852 and recapitalized in 1854. Once again it was the largest bank in New Orleans and controlled half of the local money supply.

Citizens Bank of Louisiana building, corner Royal and Customhouse Streets, at a later period. (Fred Reed collection)



The Citizens Bank of Louisiana circulated DIX PIASTRES notes in the 1830s-40s, Haxby LA-15G18, but no known genuine examples exist. Haxby does illustrate a contemporary counterfeit of the note, LA-15C18. At least two other banks also circulated Dix notes at the time. The Banque des Ameliorations (New Orleans Improvement and Banking Co.) and the Commercial Bank of New Orleans circulated the notes illustrated at top (Haxby LA-120G4) and above (Haxby LA-35G4). (Illustrations courtesy of Eric Newman)

will kill the bank." Jackson prevailing in this battle withdrew all federal funds from that bank and his further successful sponsorship of the Specie Act (mandating federal lands could only be paid for in specie) precipitated the failure of many banks, even the Citizens. The Citizens was thrust into receivership in 1842. Between 1838 and 1842 eight Louisiana banks with a combined capital of \$38,000,000 failed.

The Citizens was reorganized in 1852, however, and recapitalized in 1854. Once again it was the largest bank in New Orleans and controlled half of the local money supply. By 1852 fully one-third of all United States exports flowed through the port of New Orleans. The Citizens emerged from another nationwide financial panic in 1857 stronger than ever and never looked back until the Civil War. By 1860 New Orleans saw more than 2,200,000 bales of cotton alone worth an estimated \$110,000,000 ship through the port.

There can be little doubt that the Citizens bank added the word Dixie to the national lexicon due to its aggressive solicitation of the steamboat business. It actively loaned money on steamboat bills of lading on a large scale. Steamboat operators needed ready cash to pay wharfage fees, wages, fuel costs etc., on their protracted trips on the nation's rivers. No bank in the country advanced more cash to the steamboat trade than the Citizens. At any one moment during the 1850s the Citizens had upwards of \$4,000,000 to \$5,000,000, usually in small denominations, circulating up and down not only the Mississippi River Valley, but also the Ohio River Valley and the Missouri River Valley not to mention the Wabash, Tennessee, Arkansas and Red River valleys. Citizens' notes in the 1850s thus circulated in large numbers from St. Louis to Pittsburgh and from St. Paul to the Gulf. No other bank in the Union even came close to the volume of notes the Citizens had in circulation in the heartland of America.

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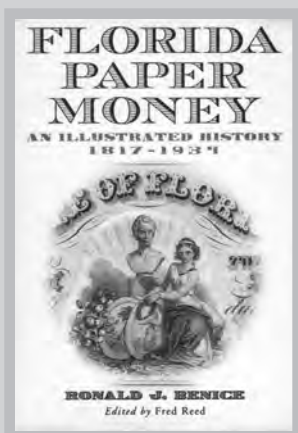
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The Citizens Bank of Louisiana circulated two types of Dix notes in the 1850s. The first type issued by the reorganized bank, Haxby LA-15G20a/20b is unknown according to Haxby. Illustrated is a contemporary counterfeit, LA-15C20a, dated 1856. The second type, Haxby LA-15G22a, is also SENC (Surviving Example Not Confirmed) according to Haxby. Illustrated is a contemporary counterfeit, Haxby LA-15C22a. (Illustrations courtesy Heritage Auctions)

Whereas other banks often had their notes discounted the further they traveled from where they had been issued this was most certainly not so with the Citizens' small notes. Most steamboat captains and by extension, their clerks (pursers) preferred small denominations like the Citizens' \$10 note for convenience. There were several earlier varieties of the Citizens' \$10 note but the note that circulated in the largest numbers was the colorful red note with the prominent DIX on the reverse. This note was bilingual in nature (as were the bank's other notes) On its obverse was a portrait of Louisiana governor A.B. Roman, a steamboat and a vieux carre' scene. Whereas the pronunciation of the other Citizens' notes in French was generally not attempted by most Americans, the red DIX (pronounced DEES in French) caught the fancy of Americans who mangled it to "DIXIES" when they had more than one. Because of the large numbers of Citizens' Dix notes in circulation and the ready money to be made in New Orleans it soon became popular west of the Alleghenies, especially after 1854, to say: "I'm going to New Orleans and get me a pocket full of Dixies!" And that is how Dixie entered the public domain. At least two other banks in New Orleans also issued DIX notes during the ante bellum period, the Banque des Amelioration (St. Louis Hotel Improvement Bank) and the Commerce Bank.

The city of New Orleans fell to Union forces early in the war (April 1862) and the economy went into a downward spiral that lasted seventeen years. This downward trend was only in part due to the war. The major cause was due to the emergent power of the railroads. By 1863 seven of the thirteen pre-Civil War banks in New Orleans had closed their doors forever, but the Citizens survived to see New Orleans again become an important trade center. This is attributable to the development of the city's port spurred by James Eads' development of deep water channels at the Mississippi's mouths beginning in 1879.

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The common Dix note of the Citizens Bank of Louisiana is the 1860s National Bank Note Co. imprint, Haxby LA-15G26a. (Illustrations from the collection of the author)

In 1921 the Citizens and the Canal Bank merged to become the Canal Trust and Savings Bank. In 1933 this bank failed and was liquidated. In that same year a reorganization took place and a new bank, the National Bank of Commerce emerged incorporating some of the old Canal Trust's deposits and loans. This bank eventually became the 1st National Bank of Commerce which was acquired by Bank One in 1998. Shortly thereafter Bank One was acquired by JP Morgan Chase. Despite a broken chain of ownership, JP Morgan Chase voluntarily agreed to establish a million dollar African American college scholarship fund known as Smart Start Louisiana. This has been seen as partial compensation for the descendants of the slaves that Citizens and Canal Bank wound up owning because of defaulted loans. The eventual disposition of those unfortunate individuals is not clear, but they were most likely sold at auction. So, almost two centuries after the Citizen's founding at the nexus of Kaintock, Creole, and African mixing, the unique legacy lives on in the highly collectible Dixie notes, the promulgation of the term, Dixie (still an icon of the South) and the scholarships available to the descendants of former slaves.

Citizens Bank of Louisiana Dix notes, of the type shown above, are very popular in collecting circles today. Reminder notes sell for upwards of \$800-900 dollars at auction. Dealer fixed prices are often higher, and results of slabbed "Gem Uncirculated 66 EPQ" examples have seen \$1,500 or so in the current market. ♦



Mysteries of Series 1995 \$1 B-Star Notes

by Joe Farrenkopf

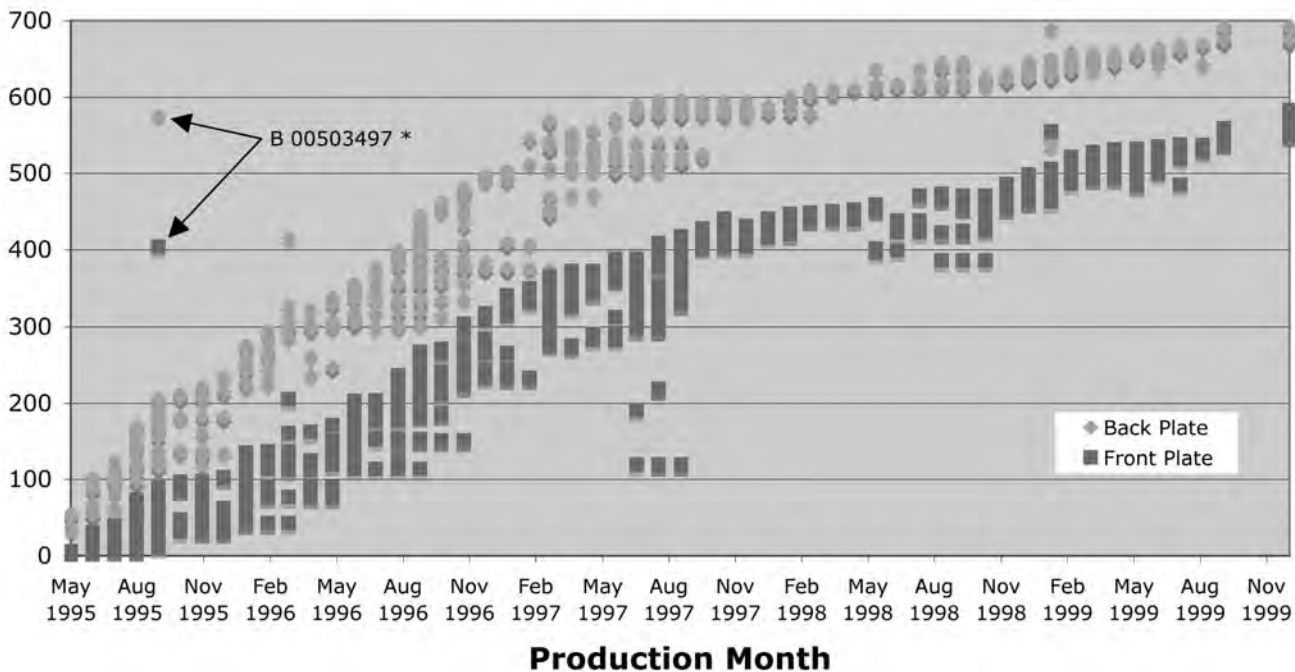
RECENTLY I BEGAN EXAMINING SERIAL NUMBER AND plate data of Series 1995 \$1 notes that are a subset of a larger data set I've been building. The data from one of the 1995 notes in particular, a B-star note, caught my eye because the front and back plate numbers were well out of range of other notes that were printed during the same period. I inquired about this note with other collectors and was soon led to a letter to the editor from Mr. Francis Klaes that was published in the July/August 2005 issue of *Paper Money*.^[1] In his letter, Mr. Klaes shared his discovery that some series 1995 \$1 B-star notes appeared to have been printed with duplicate serial numbers as a result of run 1 being printed both as a 10,000-sheet run and as a 20,000-sheet run.

Upon delving deeper into this matter, I have come to the conclusion that there is even greater complexity still. In hopes of reaching a wider audience of interested collectors who may be able to help confirm or disprove my conclusion, I posit here the following hypothesis regarding the apparent existence of series 1995 \$1 B-star notes with duplicate serial numbers:

"Run 1" of series 1995 \$1 B-star notes was produced four times. Moreover, the second, third and fourth times were actually runs 3, 6 and 7. By this I mean that contrary to monthly production reports issued by the Bureau of Engraving and Printing^[2], notes from runs 3, 6 and 7 were incorrectly serial numbered, using ranges of 00000001 to 00320000, 00000001 to 00320000 and 000000001 to 00640000, respectively. Ultimately this resulted in the creation of quadruplicate serial numbered notes in the range 00000001 to 00320000 and duplicate serial numbered notes in the range 00320001 to 00640000.

This is a fantastically crazy hypothesis, and yet it is supported by the data I have gathered. My data set of series 1995 \$1 notes contains information from more than 1,500 notes printed at Washington, DC and includes: Federal Reserve

**Fig. 1: Observed Front and Back Plate Numbers
of Series 1995 \$1 Federal Reserve Notes
Produced at Washington DC**



Bank (FRB), eight-digit serial number, block letter, plate position, front plate number and back plate number. I have added to the data set fields with the month of production and the production facility (Washington DC and Fort Worth), as reported in BEP monthly production reports. Upon sorting the data set first by production facility, then by month of production, I was readily able to see the advance of front and back plate numbers as the series progressed over time. (See Figure 1 above.)

The previously mentioned note that caught my eye was the following: B 00503497 *; plate position B4; front plate 404; back plate 576. According to BEP production reports, this note was from the first of seven print runs of series 1995 \$1 B-star notes that were produced during the series' printing from May 1995 through March 2001:

- Run 1 – September 1995 – partial run of 20,000 sheets (640,000 notes); serial range from 00000001 to 00640000;
- Run 2 – November 1995 – partial run of 80,000 sheets (2,560,000 notes); serial range from 03200001 to 05760000;
- Run 3 – May 1996 – partial run of 10,000 sheets (320,000 notes); serial range from 06400001 to 06720000;
- Run 4 – January 1997 – partial run of 60,000 sheets (1,920,000 notes); serial range from 09600001 to 11520000;
- Run 5 – April 1997 – full run of 100,000 sheets (3,200,000 notes); serial range from 12800001 to 16000000;
- Run 6 – May 1997 – partial run of 10,000 sheets (320,000 notes); serial range from 16000001 to 16320000;
- Run 7 – September 1997 – partial run of 20,000 sheets (640,000 notes); serial range from 19200001 to 19840000.

The plate numbers of the note in question – 404 and 576 – stood out because my data set includes 91 non-web notes produced at Washington, DC in September 1995, and this note is the only note with such high plate numbers; the

remaining 90 notes have front plate numbers ranging from 12 to 89 while the back plate numbers range from 24 to 207. As I examined the data set, I noticed that front plate numbers in the 400s and back plate numbers in the 500s don't start to appear in other blocks in the series until 1997. Two observations from this data set strike me as significant:

(1) Only one of the 643 non-web notes printed at Washington, DC from May 1995 through December 1996 – the lone B-star note – has front plate numbers in the 400s and back plate numbers in the 500s; and

(2) Of the 90 other non-web notes produced at Washington, DC in September 1995, none have plate numbers of the same order of magnitude as the lone B-star note.

Initially I thought that the entry in the data set for this particular note must contain a typographical error. I sought out other collectors to see if they could shed any light on this peculiarity. Some wondered whether the high back plate numbers could perhaps be left over plates from the previous series 1993, though they quickly decided that this probably wasn't the case. After examining the small amount of series 1993 plate data that I've recorded, I concurred with that conclusion. Although the highest back plate numbers I've recorded for series 1993 go into the 500s, they go only as high as the 520s. The 1993 notes with plate numbers in the 500s were produced as late as January 1995, after which the back plate numbers became low again. And according to BEP reports, series 1993 \$1 notes were last produced at Washington DC in July 1995. The most convincing reason to me, though, is that the front plate numbers of series 1993 notes seem to have gone as high as only the 190s or thereabouts, nowhere near the front plate of 404 on the 1995 B-star note in question. So I felt that the back plate of this B-star note was a series 1995 back plate.

Then I recalled a web site I had seen before that identifies known front and back plate numbers of short-run star notes.[3] This site includes separate listings for run 1 of 1995 \$1 B-star notes in light of the fact that notes from two different run sizes are known to exist. According to this web site, known front plate numbers for the 10,000-sheet run are 33, 114, 128, 143, 363, 364, 369 and 372, while known back plate numbers are 299, 304, 313, 503, 514, 516 and 517. For the 20,000-sheet run, known front plate numbers are 4(?), 32, 43, 44(?), 51, 403, 404, 405 and 406, while known back plate numbers are 24, 64, 121, 521, 522, 525, 541, 576, 579, 580 and 581. (I later learned, upon finding Mr. Klaes' letter, that these are the same plate numbers he reported.) Upon seeing plates 404 and 576 in the list for the 20,000-sheet run, I concluded that the entry for my B-star note probably did not contain an error.

Still, it seemed odd that this lone note had plate numbers that did not match plate numbers of other notes printed about September 1995, but instead matched plate numbers of notes printed in fall 1997. I made another observation about the known plate numbers, namely that the numbers clustered such that they could be grouped by the same general order of magnitude in this way:

20,000-sheet run

Group A

face: 4(?), 32, 43, 44(?), 51

back: 24, 64, 121

Group C

face: 403, 404, 405, 406

back: 521, 522, 525, 541, 576, 579, 580, 581

10,000-sheet run

Group B

face: 33, 114, 128, 143

back: 299, 304, 313

Group D

face: 363, 364, 369, 372

back: 503, 514, 516, 517

Now consider Group A. According to the BEP production report from September 1995, run 1 of B-star notes was printed as a 20,000-sheet run. As I mentioned previously, from my data set, I find that front plate numbers from other notes printed in September 1995 ranged from 12 to 89 while back plate numbers ranged from 24 to 207. Some other blocks printed at that time that

share similar plate combinations with Group A include:

A-* 32/118; 43/118
 B-C 32/63
 B-D 32/130; 43/122; 43/128
 D-B 32/24; 32/63; 32/130; 32/133; 43/128; 43/130; 44/24; 44/64; 46/24;
 46/64; 46/121
 D-C 32/130; 43/130; 46/121
 E-A 44/121; 46/24; 47/121; 51/128
 F-C 12/64
 F-D 32/24; 32/130; 41/24

I note from my data set that none of the other blocks produced in September 1995 have plate numbers from Groups B, C and D. This seems very peculiar.

Consider next Group B. In my data set, I note that plate numbers from Group B don't start to appear until blocks that were printed in early 1996. The front plate numbers of notes printed during the period February-June 1996 range from 43 to 205 while back plate numbers range mostly from 226 to 356 (one note has plate number 415). Some blocks printed during this period that share similar plate combinations with Group B include:

A-C 77/304
 A-D 114/311
 B-G 114/298
 B-H 91/304
 B-J 120/313; 143/308
 B-K 128/316; 153/304
 E-D 77/304
 E-E 128/306
 F-F 114/265
 F-G 77/304; 114/298; 127/299

Next consider Group D. In my data set, I note that plate numbers from Group D don't start to appear until blocks that were printed in mid-1997. The front plate numbers of notes printed during the period May-July 1997 range mostly from 283 to 388 (one note has plate number 119, another has plate number 191) while back plate numbers range from 472 to 591. Some blocks printed during this period that share similar plate combinations with Group D include:

B-T 372/514
 B-U 363/503; 364/503; 364/516
 B-V 288/503; 290/503; 364/517; 369/573
 B-W 297/503; 310/514
 D-E 313/517; 326/516; 329/514
 D-F 326/516; 329/503
 E-H 292/516; 363/514; 363/517; 372/516
 E-I 313/503; 379/517

Finally, consider Group C. In my data set, I note that plate numbers from Group C don't start to appear until blocks that were printed in mid- to late-1997. The front plate numbers of notes printed during the period September-December 1997 range mostly from 330 to 441 (three notes have plate number 119) while back plate numbers range from 514 to 597. Some blocks printed during this period that share similar plate combinations with Group C include:

B-X 380/521; 384/576; 392/522; 393/521; 396/579
 B-Y 380/541; 392/521; 392/541; 393/541; 403/579; 405/581; 418/581
 D-G 380/576; 392/541; 392/579; 393/576; 394/521; 394/525; 398/576;
 403/516; 406/579
 D-H 380/576; 394/576; 404/579; 405/581; 419/521; 419/525
 D-I 404/579; 404/581; 421/579; 421/581; 429/582; 431/576



J-F 405/579;

F-* 421/525; 426/525; 428/522

F-P 404/581; 404/589; 405/576; 426/525

F-Q 427/576

Now the following two questions come to mind:

(1) How is it possible that B-star notes from run 1, purportedly printed in September 1995, have plate combinations in common with notes printed at three other times — early 1996, mid-1997 and mid- to late-1997?

(2) How is it possible that plate combinations from Group A appear on B-star notes as well as on other blocks produced in September 1995, but plate combinations from Groups B, C and D appear on B-star notes only and not on any of the other blocks produced in September 1995?

The conclusion to me seemed to be that B-star notes from run 1 had to have been printed at four different times. If this were true, though, why didn't the BEP reports reflect any of these printings? Even though I had examined the BEP reports on countless occasions, I went back to the reports to see if there was anything I might have missed. While doing so, a small epiphany of sorts came over me. Perhaps the BEP reports did indeed reflect these printings after all. I will make one additional observation here. Going back to the web site of known front and back plate numbers for short-run star notes, I noticed that the tables were empty of plate data for B-star runs 3, 6 and 7. And my data set does not include any data for notes from those runs. This is not necessarily surprising in and of itself; they are, after all, short runs, which by their nature are more difficult to find. Nevertheless, it is worthwhile noting. According to the BEP reports, run 3 was purportedly produced in May 1996. And I wondered, could this actually be Group B? Run 6 was purportedly produced in May 1997. Could this be Group D? And run 7 was purportedly produced in September 1997. Could this be Group C?

Although I could neither prove the idea nor did I have nearly enough data to back up such a crazy notion, I just knew that was the answer to explain the oddities of run 1. I began searching in earnest for examples of notes from runs 3, 6 and 7 with serial numbers in their BEP-reported ranges. I have contacted other collectors as well as dealers and have searched web sites to find such examples, so far to no avail. Curiously, I have since learned that the absence of notes from runs 3, 6 and 7 is known to some collectors, so that aspect of my observation isn't altogether new.

In order to test my hypothesis, a large amount of serial data would be tremendously useful in ascertaining whether notes from runs 3, 6 and 7 exist. As a participant of the web site Where's George?[4], I considered that the data recorded in that site had great potential to reveal useful information. Where's George? allows people to track where their paper currency travels simply by entering the denomination, series and serial number of a federal reserve note.[5] Each time another person subsequently re-enters the note, the new location is added to the note's history. As of October 1, 2008, over 137,000,000 unique bills

of all denominations and series back to 1963 had been entered into the WG database. Of that total, 8,774,244 were series 1995 \$1 notes, and of those, 420,615 were series 1995 \$1 notes from the New York FRB. I contacted Mr. Hank Eskin, the web site's creator, to ask if he could query the WG database to extract the number of series 1995 \$1 B-star notes that had been entered since the inception of the web site in December 1998. The results of the query showed that out of the 420,615 series 1995 \$1 B notes of all blocks, 2,579 were star notes. The breakdown by run was as follows:

Serial range:	Number of Unique Notes:	Total Number of Entries:
1. 00000001-00640000	689	809
2. 03200001-05760000	236	259
3. 06400001-06720000	1	1
4. 09600001-11520000	357	400
5. 12800001-16000000	885	1,021
6. 16000001-16320000	0	0
7. 19200001-19840000	0	0
8. 00000001-00320000	408	480
9. 16320001-19200000	3	3

The first seven serial ranges (rows 1 to 7 above) correspond to the serial numbers for each of the seven B-star runs, as reported in the BEP production reports. The "Number of Unique Notes" is simply the number of notes with different serial numbers entered into the database. The "Total Number of Entries" is the number of times a particular serial number has been entered and re-entered into the database. A note entered into the database twice, for example, because one person entered the note after it had been entered previously, is counted just once in the "Number of Unique Notes" column but is counted twice in the "Total Number of Entries" column.

I make two observations about this data. First, note that several hundred 1995 \$1 B-star notes from runs 1, 2, 4 and 5 have been entered into the database while notes from runs 6 and 7 are devoid of entries. I believe, though I cannot prove, that the single entry from run 3 is a typographical error by whomever entered the note. Entry errors are known to happen on occasion, as evidenced by the last serial range listed (row 9 above), which shows three notes entered. Given that this last serial range comprises the range of serial numbers from run 6 that were NOT used by the BEP, the number of notes entered in this range should be zero since such notes purportedly do not exist.

Second, consider the number of unique notes entered for runs 1, 2, 4 and 5, and compare them with each other, their production dates and their respective run sizes.

Run	Production Date	Run Size/Qty of Notes
1	September 1995	20,000-sheet/640,000
2	November 1995	80,000-sheet/2,560,000
4	January 1997	60,000-sheet/1,920,000
5	April 1997	100,000-sheet/3,200,000

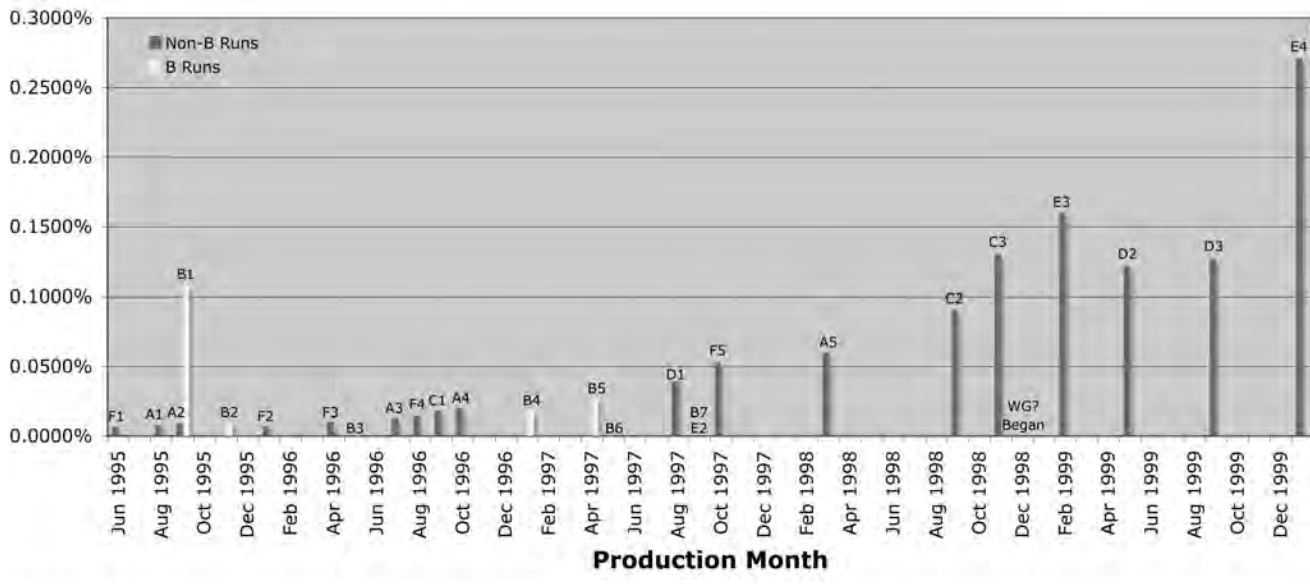
The number of unique notes entered for run 1 is:

- almost three times the number entered for run 2, yet the size of run 2 was four times greater;
- almost twice the number entered for run 4, yet the size of run 4 was three times greater;
- about 3/4 of the number entered for run 5, yet the size of run 5 was five times greater.

The number of unique notes entered for run 2 is:

- about 2/3 the number entered for run 4, yet the size of run 2 was 33% greater;

Fig 2.: Percentage of Series 1995 \$1 Star Notes Produced at Washington DC that Have Been Entered[†] in Where's George?



[†] Figures for A, C, D, F runs are as of Dec 11 2008

Figures for E runs are as of Oct 21 2008

Figures for B runs are as of Oct 1 2008

- about 1/4 the number entered for run 5, yet the size of run 2 was 80% that of run 5.

The number of unique notes entered for run 4 is:

- about 2/5 the number entered for run 5, yet the size of run 2 was 60% that of run 5.

I believe most of these points merely reflect the passage of time. Where's George? began in December 1998. The BEP reports indicate that each of the seven runs had been printed by that time, the most recent fifteen months earlier. According to the BEP, the average lifespan of a dollar bill is approximately 21 months,[6] so it would be expected that the proportion of notes from each run remaining in circulation by the inception of the web site would have been successively lower the earlier the run, and thus fewer notes from older runs would have been available for entry in Where's George?. Indeed, this is the case as shown in **Figure 2**, which is a plot of the percentage of series 1995 \$1 star notes for all FRBs produced at Washington, DC that have been entered in Where's George?. The plot demonstrates that the percentage of entries from B-star runs 2, 4 and 5 is consistent in this regard.

But the percentage and number of entries from run 1 are disproportionately high for the run size and production month as compared to runs 2, 4 and 5. Run 1 is reported to have been printed two months earlier than run 2, and at one-fourth the run size. Consequently, one would expect the number of unique notes from run 1 to be at most one-fourth the number from run 2, or on the order of 70 to 75. Yet the actual figure is nearly ten times this number. And of the 70 to 75 expected entries, roughly half would be in the lower half of the range of the run (00000001 to 00320000) and about half would be in the upper half of the range of the run (00320001 to 00640000), or about 30 to 40 in each half. But consider the number of unique bills entered in the lower half of the range of run 1 (row 8 above). The count of 408 notes in this group means that 281 notes from the upper half of the range of run 1 (00320001 to 00640000) account for the remaining 689 entries from run 1. The fact that the expected number of notes from run 1 is only

on the order of 70 to 75, and that 281 entries from run 1 are in the upper half of the range when one would expect to find only about 30 to 40 suggests another source likely existed for notes in the upper half of the range. A second printing of 10,000 sheets as observed by Mr. Klaes cannot account for the source since all the serial numbers from such a run would be entirely in the lower half of the range of run 1. But run 7 was reported as a 20,000-sheet run. It is possible that run 7 could account for most of the 281 notes from the upper half of the range of run 1. Consider that there are 885 unique entries from run 5, a full run of 3,200,000 notes produced in April 1997. Run 6 was purportedly produced just one month later albeit at one-tenth the size. If run 6 notes existed in their BEP-reported serial range, the expected number of unique notes in the database would be at least one-tenth that of run 5, perhaps on the order of 90 to 100, maybe more. As run 7 was twice the size of run 6, the number of unique entries from run 7 (had they been in their BEP-reported range) would certainly be expected to be more than twice the number from run 6, especially since run 7 was produced four months later. This could easily account for well over 200 unique entries, about half of which would be in the upper half of the range of run 1. Exactly how many more is difficult to guess with any certainty. But extrapolating the estimated expected percentages of runs 3, 6 and 7 from the plot in **Figure 2** yields estimates of approximately 0.0106%, 0.0306% and 0.0461%, respectively. When these estimates are added to the expected percentage of entries from notes produced in September 1995 (about 0.0089%), the sum of the four estimates is 0.0962%, which is rather close to the actual percentage (0.1077%) shown for run 1. Thus, I'm inclined to believe that notes from run 7 in fact account for the additional entries in the upper half of the range of run 1.

This excruciating detail is the basis for my crazy hypothesis that "run 1" of Series 1995 \$1 B-star notes was produced four times and that the second, third and fourth times were actually runs 3, 6 and 7. Though the data presented herein do not prove my hypothesis, they certainly present compelling circumstantial evidence that explains both the mystery of the range of plate numbers seen on notes from run 1 as well as the apparent absence of notes from runs 3, 6 and 7. I expect that notes from runs 3, 6 and 7 in fact do exist, just in disguise, i.e., not in their reported serial ranges. Locating examples is critical to this matter, although even if such examples are found, the two questions posed earlier regarding plate numbers will still not be answered. Furthermore, another collector raised the point that, if this scenario really happened, one must consider the possibility that this was not an isolated set of events, i.e., that something similar may have occurred with other FRBs and/or other denominations because it seems perhaps too coincidental that this misnumbering affected only and repeatedly \$1 notes for the New York FRB.

The implications of this hypothesis are best illustrated by the simple realization that, in theory, one could find four series 1995 \$1 B-star notes with identical serial numbers in the range 00000001 to 00320000 and two series 1995 \$1 B-star notes with identical serial numbers in the range 00320001 to 00640000. I'm not aware that anyone has managed either feat, but it would be tremendously exciting to learn of someone doing so.

In the mean time, I welcome a thorough vetting of my hypothesis by the paper money collecting community.

Sources:

- [1] *Paper Money*, vol. XLIV, no. 4 (July/August 2005), p. 282.
- [2] <http://www.uspapermoney.info>
- [3] <http://nicholas.nfshost.com/currency/rarestars.html>
- [4] <http://www.wheresgeorge.com>
- [5] *Paper Money*, vol. XLIV, no. 6 (November/December 2005), p. 412.
- [6] <http://www.bep.treas.gov/document.cfm/18/106>

Addendum

I wrote letters to the Bureau of Engraving and Printing on two occasions to try to confirm my hypothesis. In my first letter dated October 27, 2008, I explained the hypothesis briefly and asked very broadly whether the BEP had documentation that would confirm the hypothesis. To date I have not received a response to that letter. In my second letter dated December 24, 2008, I asked a more specific question, namely which month or months and year the face and back plates from Groups B, C and D were used in the production of series 1995 \$1 Federal Reserve Notes printed at Washington, DC. On January 26, 2009, I received a response from the BEP to my second letter. The tables below are a reproduction of the document sent by the BEP.

\$1 Face, Series 1995 and \$1 Back, Series 1993

\$1 Face, Series 1995

Plate #	Serial #	Date To Press	Date Off Press
279-33	33	4/13/1995	5/2/1995
286-24	114	10/18/1995	8/7/1996
286-30	120	11/8/1995	5/31/1996
286-38	128	11/17/1995	6/19/1996
286-51	141	1/22/1996	5/22/1996
339-03	363	3/26/1997	6/11/1997
339-04	364	3/26/1997	6/4/1997
339-09	369	3/26/1997	5/28/1997
339-12	372	3/26/1997	5/28/1997
339-43	403	8/5/1997	9/19/1997
339-44	404	8/14/1997	11/12/1997
339-45	405	8/14/1997	10/15/1997
339-46	406	6/14/1997	10/15/1997

\$1 Back, Series 1993

Plate #	Serial #	Date To Press	Date Off Press
297-29	299	1/17/1996	7/16/1996
297-34	304	1/17/1996	6/5/1996
297-38	308	1/22/1996	6/5/1996
297-41	311	2/5/1996	6/21/1996
297-43	313	3/6/1996	6/21/1996
297-45	316	9/10/2006	9/24/1996
328-53	503	11/27/1996	7/1/1997
328-64	514	3/21/1997	8/26/1997
328-71	521	3/21/1997	9/19/1997
328-72	522	3/21/1997	11/5/1997
328-75	525	3/21/1997	11/5/1997
333-01	541	4/29/1997	9/30/1997
333-36	576	4/29/1997	9/30/1997
333-39	579	4/29/1997	3/9/1998
333-40	580	4/29/1997	9/19/1998
333-41	581	5/2/1997	12/8/1997

First, a few comments about three data points is in order. (1) The Date-To-Press date for Serial #316 (what I had referred to as “back plate” #316) is clearly in error. One might assume the date was actually 9/10/1996. However, if the corresponding Date-Off-Press date is accurate, that would mean the plate was on the press for just 14 days, which seems unlikely when compared to the amount of time the other plates were on the press. But in fact, even 9/10/1996 cannot be



correct because my data set includes a B-K note with back plate 316, and according to BEP production reports, that note was printed in June 1996. (2) I question the accuracy of Plate #297-45, which corresponds to Serial #316 (back plate 316). Every other Plate #/Serial # combination ends in the same digit, so I'd guess the Plate # is really supposed to be 297-46. However, since I don't know what these numbers mean, that guess could be wrong. (3) The Date-Off-Press date for Serial #580 (back plate 580) says 9/19/1998, which would mean the plate was on the press for one and one-half years. As with Serial #316, this seems unlikely when compared to the amount of time the other plates were on the press. In examining my data set, the last occurrence of a back plate below 600 is March 1998 (and in fact is back plate 579, which, according to the above table, was on the press until that month). The last occurrence of back plate 580 in the data set is September 1997, so I suspect the Date-Off-Press date is really supposed to be 9/19/1997.

Errors aside, if we assume that the rest of the information is accurate, then it is highly significant in two ways:

(1) With the exception of Serial # 33 (front plate 33), the Date-To-Press date of all other plate numbers is October 18, 1995, or later. This is definitive evidence that "run 1" series 1995 B-Star notes with the above plate numbers were produced in months after September 1995, which is a direct contradiction of the BEP production report from September 1995. (Note that I did not request from the BEP the production dates of plates from Group A, which, according to my hypothesis, correspond to run 1 series 1995 \$1 B-Star notes produced in September 1995.)

(2) The production date of run 3 (May 1996) falls within the periods in which the plates from Group B (ignoring back plate 316 due to the erroneous Date-To-Press date noted above) were on the press; the production date of run 6 (May 1997) falls within the periods in which the plates from Group D were on the press; and, the production date of run 7 (September 1997) falls within the periods in which the plates from Group C were on the press. This provides more circumstantial evidence in support of the notion that notes from Group B could be run 3, notes from Group D could be run 6, and notes from Group C could be run 7.

Acknowledgements

I gratefully acknowledge and thank several people for their help with obtaining relevant data and in offering insights into this mystery, including Ronald Baker, Hank Eskin, Chris Miller, Derek Moffitt and Preston Turner, as well as a number of other collectors, dealers and Where's George? participants. In the mean time, I welcome a thorough vetting of my hypothesis by the paper money collecting community. I would appreciate receiving serial and plate data from collectors who have any Series 1995 \$1 B-star notes. I can be reached at farrenkopf@bascom.wisc.edu. ♦

Patriot Paul Revere engraved/printed rare bond

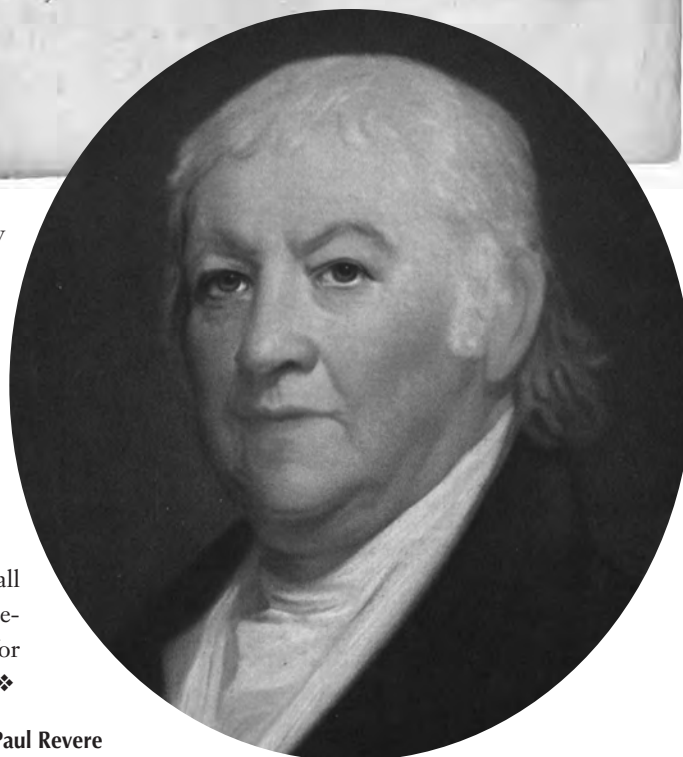
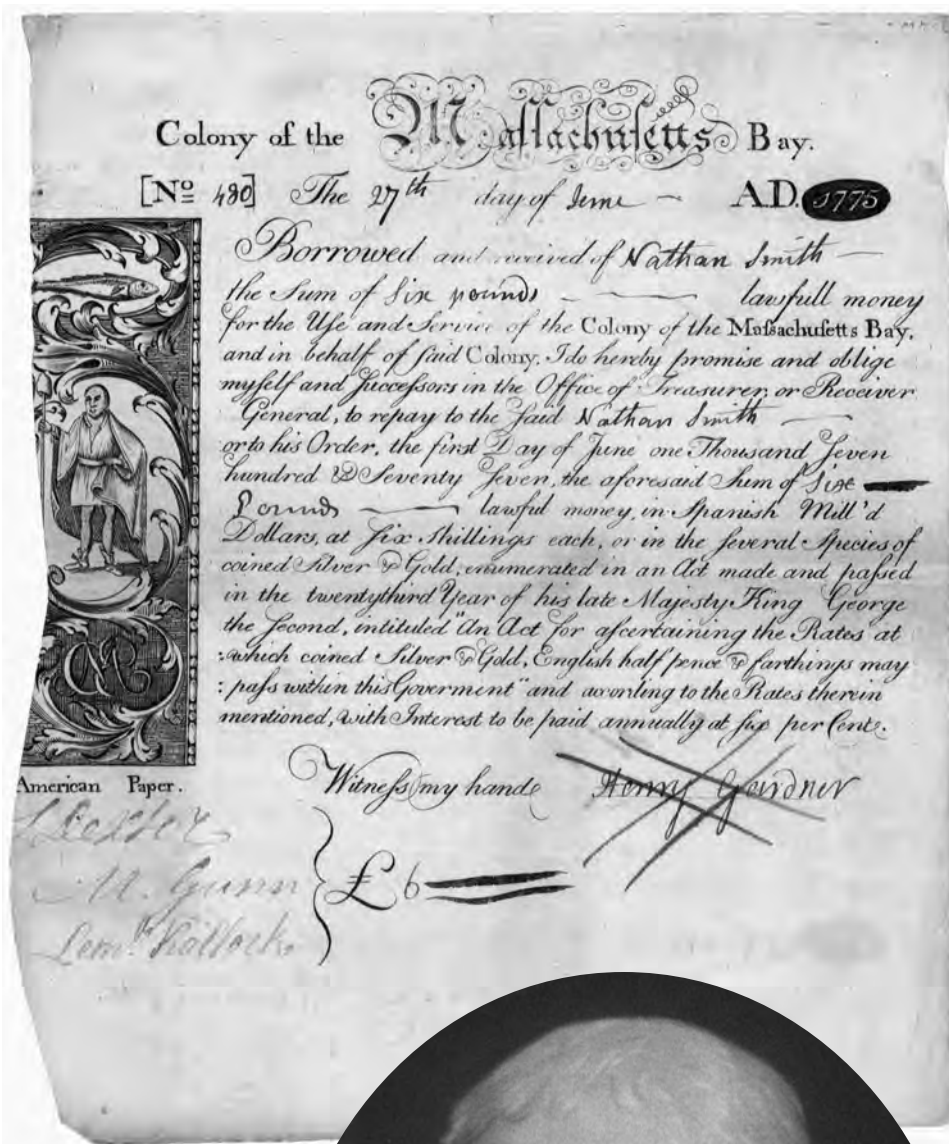
SEVERAL YEARS AGO the Museum of American Finance displayed the bond shown here as part of a “Financing America 1786-1836” exhibition, which presented a comprehensive view of the founding of America’s financial life. On display were many important documents and artifacts from the earliest years of the United States.

Among the rare historic documents included in this exhibit were the bond received and signed by George Washington in return for obligations of Virginia—including the very first use of the dollar sign, the first bond issued to finance the U.S. Navy, and documents used by Robert Morris when he staked his fortune to finance the American Revolution.

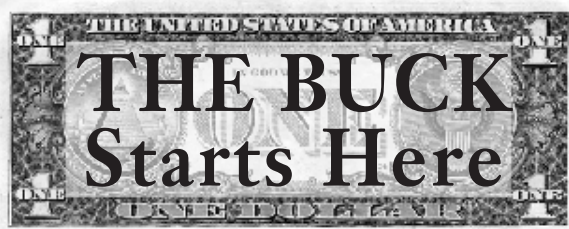
The exhibit also included the item shown, which is Paul Revere’s first engraving of a bond for the Colony of Massachusetts Bay. This indented note, entirely engraved, includes an illustration on the left featuring a codfish, a patriot holding a liberty capped staff, the monogram “CMB” (Colony of the Massachusetts Bay) and “American Paper.”

Moses Gunn, witnessing in red ink on June 27, 1775, replaced Joseph Warren, who died at Bunker Hill June 17. Gunn was then replaced on July 10 that same year. “This note is earlier than the American Antiquarian Society copies, and it is watermarked “GR” under a crown. Revere himself accomplished this printing,” a museum official noted.

The Museum of American Finance is located at 48 Wall Street, New York City. In addition to exhibitions, the museum sponsors distinguished lecture series. It’s a “must see” for visitors to the the Big Apple.



Paul Revere



A Primer for Collectors
BY GENE HESSLER

Hungarian woman engraves for Swedish banknote company

WHENEVER THERE IS AN OPPORTUNITY I WILL champion individual security engravers, especially women who pursue this specialized art form. In previous columns I have mentioned a few of these ladies, so, allow me to introduce you to another female portrait engraver, one of six or seven in the world.

Agnes Miski-Török, portrait and picture engraver was born in Hungary; she is one of three girls in her family. Her education took place in her native Hungary including four years of study at the Art Gymnasium in Budapest.

A few years after Ms Miski-Török was married she moved to Sweden with her one-year-old son Mark; the following year her daughter Monika was born. In 1979, three years after her arrival, Agnes began her studies at the Swedish Royal Academy of Fine Arts in the Graphic Design & Engraving Division. Two years later A.B. Tumba Bruk, the Swedish security company that was owned by the Sveriges Riksbank since 1755, engaged her. The Bank's operation includes a paper mill, printing works, engraving facilities, and a mint.

Agnes Miski-Török, self portrait



(Crane & Co. has owned A.B. Tumba Bruk since 2002.)

From 1981-1998 Agnes engraved at A.B. Tumba Bruk in Sweden. In 1989 she spent a year in London working with the legendary British engraver Alan Dow, who has engraved more different portraits of Queen Elizabeth II than any other person has. Agnes gained valuable experience from her time with Mr. Dow.

In 1991 Agnes met her second husband Richard Török, who was in her words, "a genius sculptor." This artistic union lasted only two years when Richard died tragically in 1993.

During her time at A.B. Tumba Bruk, Agnes engraved portraits and subjects for bank notes and postage stamps. She has engraved bank note subjects for Bulgaria, the Congo Democratic Republic, Croatia, Namibia, Sweden, Tanzania, Uganda, Venezuela and the Yemen Arab Republic. Of these I am partial to the bold and dynamic portrait of King Gustav Vasa on the Swedish 1000-kronor bank note, P(ick) 60 and the charming portrait of the Swedish nightingale, operatic singer Jenny Lind on the 50 kronor, P62.

Since 1997 Agnes has been working as a graphic designer and free-lance engraver; and has executed about 12 additional bank note subjects for different bank note companies. During this time she has also had exhibitions of her paintings.

Additional engraved work includes postage stamps and portraits; the latter were placed on advertising or sample notes for A.B. Tumba Bruk. Notes of this type, as illustrated in previous columns, are created by security companies to show clients the type of work they are capable of doing. Portraits of hers that fall into this category include those of Queen Christina of Sweden, ship builder Fredric Henric A.F. Chapman, Alfred Nobel and Anders Swab.

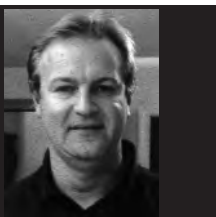
The Chapman portrait was used on the 1988 IBNS souvenir sheet from the Maastricht show. These are available from world paper money dealers for less than \$20; an inexpensive example of the wonderful work of engraver Agnes Miski-Török.

**(Reprinted with permission from
Coin World, March 24, 2003)**

King Gustav Vasa on the Swedish 1000-kronor bank note, P-60 ♦



The President's Column



Dear Fellow Paper Money Lovers:

Since the last column to you there have been a couple of what I believe to be reasonably important events of possible interest to Society members. Neither was accompanied by much fanfare, and perhaps, in the role of President, my judgment could be argued to be subjective. But I [mentally] remarked at the time that they were likely of interest and worth “sharing,” and y’all can be the judge. I’d like to talk about the first one this month....

The folks at Whitman pulled off a splendid show in Philadelphia, a new event to the annual show calendar. The organizers were brave [in my view] to take this “plunge” in the current environment, but it was very well organized, and I heard nothing but complimentary feedback. As a New Yorker who misses the semi-annual conventions that used to be held in this town, new east coast events are warmly welcomed, even if a short drive is required. It is good news that they have announced plans to continue this show next year.

Our regional event coordinator, Judith Murphy, grabbed hold of the event’s organizer early in the game. Having been privy to the extensive string of e-mails associated with her efforts to request, organize, and publicize a regional meeting for the SPMC at the event, all in co-operative conjunction with the show’s David Crenshaw, I can tell you that both should be thanked for this effort on behalf of the Society and the hobby. As the event was taking shape Judith asked me if I would speak at the event, addressing the current state and future plans for the SPMC, and since this was something I had already promised both the Board and you, the members, it seemed timely.

Entitled “The Society for Paper Money Collectors, Inc., A Current Assessment and Observations for its Future,” the commentary opened with some basic, but critical constants. For starters, I reminded the audience that our Society is healthy in so many ways. We are blessed to be fiscally sound, with a highly responsible approach to safeguarding the resources you have entrusted to us, accumulated over the soon-to-be-50 years of co-operative support. This magazine you hold, *Paper Money*, remains the mainstay benefit we provide to our members, and continues, quite rightly, to win accolades in its own right as a publication in a competitive field. The “social infrastructure,” which is my nickname for the schedule of member benefits, such as regional meetings, access to the library, and other forms of member support, remains stable and engaged and available, a result of work built over a period of years. Lastly, and I think this is a key development for the future, we have a strong, diverse, and committed Board of Governors. Some veterans, some newer to the group, all our Governors are very much interested in the future of the hobby and the Society.

The Society does a lot of other good things, some of which have been added in more recent years. Under Benny Bolin’s stewardship we expanded our support of research via

the Grant Program. This has led to new, published research based on the Smithsonian archives, on Treasury Securities, and other areas of unexplored or under developed interest. Seminars, such as the recent Higgins event, the Authors’ Forum held each year in Memphis, and regional meetings are social and educational, and the “State Books” have opened up and inspired interest in what might otherwise have remained uncollectible fields. Lastly, the Society does its best to recognize performance, achievement and excellence in our hobby in so many ways via a broad awards program.

This is not to dismiss the challenges. Our Society is spread all over a large map. Most of our members are in one of the 50 United States, but we mail a lot of copies of *Paper Money* to Canada, and there are also a surprising number of issues that go to countries around the world. While that diversity is exciting, it also makes getting all our members to come to a cocktail party inconvenient, and it means that we who hope to properly steward the Society need to think deeply about how to best serve our supporters. In addition, there is the ever-changing nature of our hobby, or more accurately, the ever-changing nature of the environment in which our hobby lives. The Society was founded upon the bedrock purpose of education, and here a re-visit to the beginning of the original bylaws [1961] is warranted:

“The corporation is organized exclusively for educational purposes, and in furtherance of such purposes to promote, stimulate, and advance the study of paper money and other financial documents in all their branches along educational, historical and scientific lines.”

A lot has changed since 1961:

(1) Most dramatically, the breadth of, and ease of access to, information sources have been literally blown wide open by the world wide web, be it original research, price information, purchase opportunities, you name it. This does not change our members’ need for or thirst for knowledge, but it certainly redefines their ease of access to it, and necessarily alters our definition of what we can supply that is of relevance and how we supply it.

(2) Third party certification services, regardless of how we see them playing a role in the hobby, are clearly here to stay, and play a significant role in many of our members’ approach to their purchase decisions, principally in the areas of authenticity and grade, and hence price. In the early evolution of the hobby, authenticity was often a judgment that a developed/developing collector needed to make on the basis of knowledge acquired and the assistance of others who were also self-educated, often in a co-operative fashion aided by the Society, its members and its publications. The work that created the publications lives on in these bedrock and invaluable sources, but third party services have significantly reduced, for better or worse, the time that a collector may need to invest in note attribution and substantiating its authenticity.

(3) Lastly, the fact is that the popularity of collecting has led to price appreciation, in some cases to significant dollar levels. Those levels make the investment aspect of the hobby significant to some people, dealers and collectors alike. Whether your love of paper money starts with small financial commitments and then leads you down the roads of increasing scarcity and therefore cost, or if you approach it from a different starting point, the fact is that significant dollars are on the table in ways they were not in 1961, or even 1981, and that

changes what may be on members' and collectors' minds.

So, where to now? Some of the ideas that have been broached in conversations amongst members of your Board are interesting, and energetic discussion is in process. For starters, the combination of technology and the vast amount of raw data [some of it in increasing need of update] in the "State Books," has interesting possibilities. We continue to actively examine other fresh opportunities for publications, and two or three, if we can comfortably justify the expenditure of your monies, may come to fruition in the near term. Governor Vandevender has given us an excellent document for thought on the topic of the grading and certification process, and how we at the Society may want to define our evolving role. We have a 50th anniversary looming on the 2011 horizon; ironically, the same year that a kindred group, the International Bank Note Society, celebrates its 50th year. Your correspondent and Peter Symes, a gentleman and current IBNS President, have had some informal but co-operative discussions on how the two organizations might work together, celebration-wise and in other manners.

Technology gives us the opening to examine interesting opportunities for "virtual meetings," which may potentially reduce some of the geographical obstacles. If it can provide meaningful benefits, there may be advantages to a "member only" area in our website, and there may be additional website enhancements to come. We continue to look for ways in which we can increase the benefits of our regional meeting/local chapter discussion to as many of our members as possible. It is important for you, our members, to understand that these are not promises; these are the areas that your Board is looking at as its most promising areas for continuing and/or expanding what we are able to do for you and for the hobby at large, while still maintaining a high standard and appropriate focus on what we are already doing and what is already working. It is early to make predictions about where all this may lead, but it would be most interesting to hear from you as to what you think about these areas and ideas.

Now it is again time to close for this issue, but I hope this letter reinforces the pledge of our Governors to work to keep the value of the Society to our members at the forefront. Regardless of where you are and what you collect, we will always be interested to hear what may be on your minds.

Mark



Do you want to serve on the SPMC Board of Governors?

THE FOLLOWING CURRENT BOARD members' terms expire this year at Memphis:

- (1) Matt Jantzen
- (2) Rob Kravitz
- (3) Fred Reed
- (4) Robert Vandevender

If any of these board members or any other member of SPMC in good standing desires to run for one of these four board positions, he/she should contact President Mark Anderson immediately at mbamba@aol.com or by mail at 115 Congress St. Brooklyn, NY 11201.

Biographies of the nominees and ballots (if necessary) for the election will be included in the May/June 2009 issue of *Paper Money*. The ballots will be counted at Memphis and announced at the SPMC general meeting held during the International Paper Money Show.

Any nominee, but especially first-time nominees, should send a portrait and brief biography to the Editor for publication in *Paper Money*. ♦

Reader reports rare Manhattan Bank \$25 note

Fred:

I've been enjoying looking over my latest issue of *Paper Money* (Nov/Dec 2009). The article on the Manhattan Bank was especially interesting to me. On page 419 the author mentioned that there were some \$25 notes ordered by the bank. Attached is a scan of one of those notes. It's interesting that the note is a one-note sheet as printed. The note is normal sized for a full denomination note. I thought this might be interesting to you. -- **Robert Gill**



\$\$ money mart

Paper Money will accept classified advertising on a basis of 15¢ per word (minimum charge of \$3.75). Commercial word ads are now allowed. Word count: Name and address count as five words. All other words and abbreviations, figure combinations and initials count as separate words. No checking copies. 10% discount for four or more insertions of the same copy. Authors are also offered a free three-line classified ad in recognition of their contribution to the Society. These ads are denoted by (A) and are run on a space available basis. **Special: Three line ad for six issues = only \$20.50!**

HERE'S YOUR OPPORTUNITY!!!

YOUR WORD AD could appear right here in each issue of *Paper Money*. You could advertise your duplicates inexpensively, or advertise your Want List for only \$20.50 for three lines for an entire year. Don't wait. (PM)

WANTED: ALBANY, GA National Bank Notes. Any bank, type or denomination. Write with description (include photocopy if possible) first. George Anderson, 1015 Summit Dr., Albany, GA 31707 (270)

NJ TURNPIKE TOLL SCRIP from the 1950s-80s. Looking for any info on, and also looking to buy same. Send info or contact: PO Box 1203, Jackson, NJ 08527 or fivedollarguy@optonline.net Jamie Yakes, LM338 (A)

WRITING A NUMISMATIC BOOK? I can help you with all facets of bringing your manuscript to publication. Proven track record for 40 years. See PM N/D 2008 p. 472 for details. Contact Fred Reed fred@spmc.org (270)

WANTED: Notes from the State Bank of Indiana, Bank of the State of Indiana, and related documents, reports, and other items. Write with description (include photocopy if possible) first. Wendell Wolka, PO Box 1211, Greenwood, IN 46142 (270)

WILDCAT BANKS OF WAYNE COUNTY (Ohio), 80 pages, \$30 postpaid. Raymond E. Leisy, 450 N. Bever St., Wooster, Ohio 44691 (A)

Banking Publication Reprints Huntoon's Article from PM

SPMC MEMBERS AND *PAPER MONEY* READERS inhabit all niches of today's economy and society. One reader is Rob Birnbaum (SPMC LM #115), NBE, Large Bank Supervision, who thought Peter Huntoon's article on the first national bank failure, published originally in our November 2003 issue, was very timely today.

"April 14, 1865. What is the significance of this date you ask?," Rob wrote in *NE Corridor*, Office of the Comptroller of the Currency Northeastern District Newsletter Fall 2009 issue. "It was not only the day that President Abraham Lincoln was assassinated, but was the day the first national bank failed. The bank, The First National Bank of Attica, NY, was located here in the Northeastern District.

"The following article written by Peter Huntoon, first appeared in the Society of Paper Money Collectors journal *Paper Money* in November 2003. Given the increasing number of bank failures this year, it's a timely historical piece," he remarked.

Paper Money readers are certainly familiar with the scope and quality of Mr. Huntoon's many contributions to this periodical. Part of our reputation as a quality journal comes from the pen of the national bank note scholar. We're glad that Mr. Birnbaum thought highly enough of Peter's scholarship to want to share Huntoon's work with the banking community.

If economists/bankers would be more mindful of the evidences in paper money collectors' holdings, they'd beware the devastations of over issuing paper money -- **Fred Reed** ♦

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Put out your want list in "Money Mart"

and see what great notes become part of your collecting future, too.

(Please Print) _____

ONLY \$20.50 / YEAR !!! (wow)

William Rollinson's Novel Bank Note Sample

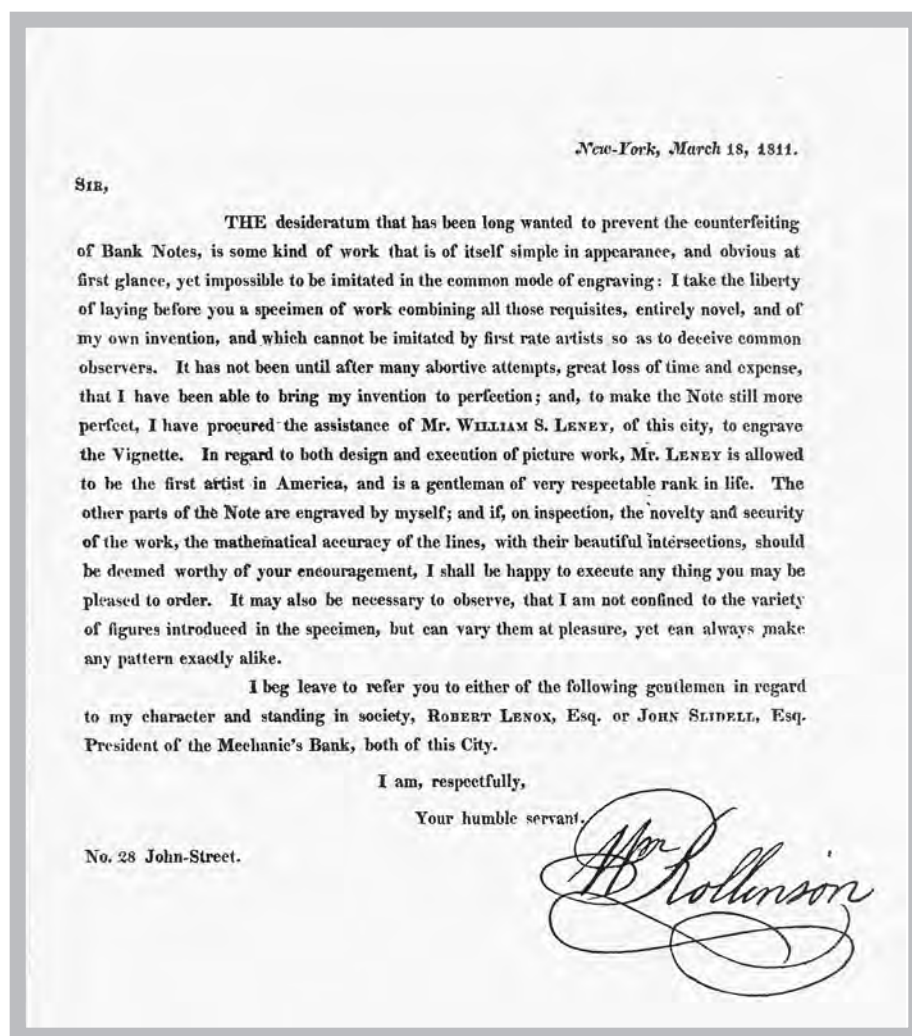
by David D. Gladfelter



IN THEIR 1931 BIOGRAPHY OF THE ENGLISH-BORN ENGRAVER William Rollinson, Robert W. Reid and Charles Rollinson (the latter being the engraver's great-grandson) reproduced an 1811-dated circular he had sent to bankers soliciting their orders for bank notes produced with the aid of a ruling machine he had recently invented. This circular, also reproduced herein, refers to an accompanying "specimen of work" which is described as being "of itself simple in appearance ... yet impossible to be imitated in the common mode of engraving." Reid and Rollinson do not illustrate that specimen, but it is almost certainly the sample advertising note shown here, perhaps the earliest note ever to be printed with a background tint.

The note has this fanciful text: "The President, Directors & Co./ of the Grand Bank promise to/ deliver on Demand FIFTY Fish to the bearer./ Newfoundland, March 1st, 1811." Below this appear the printed signature of "A. Hallibut" and countersignature of "A. Shad." The tint has the number "50" at left, the plate letter "a" at upper left and the word FISH in elaborate script below the word FIFTY. This language, chosen so as to prevent the note from being presented for redemption, is typical of what one would expect to find on an advertising sample. The central vignette of the nymph Galatea, engraved according to the circular by Rollinson's associate W.S. Leney, further carries out the nautical theme.

The original of the Rollinson circular is in the collection of the New York Public Library. It is a typeset document and would not have been printed on the same sheet as the sample, which is on a lighter but stronger (and more expensive) fabric used for the printing of bank notes. The descriptive language in the circular closely matches the actual design and appearance of the sample. What further ties the circular and sample together are their identical March 1811 dates,



although the specific days of the month on these documents differ. I suspect that a handwriting expert would have no difficulty finding that the Rollinson signature on the circular matches up with the Hallibut and Shad “signatures” on the sample.

A tint variety of this note (with straight horizontal lines; mine has wavy lines) is listed by Robert A. Vlack as No. 4640 in his book, *An Illustrated Catalogue of Early North American Advertising Notes*. No. 4645 below it is the same note with a blue rather than red tint. Bob tells me that these notes are the earliest ones in his book, which is arranged geographically rather than chronologically, and my variety is also the earliest in my collection of bank note engravers’ and printers’ samples. Bob has a great sense of humor, but his listings of the Leney and Rollinson notes are strictly deadpan. They are under “Newfoundland” in the Canadian section, and under the merchant names “Shad” and “Hallibut.”

This sample has the imprint of Leney and Rollinson, New York, as well as an unusual printer’s credit to Andrew Maverick, younger brother of the prolific bank note engraver Peter Maverick (see enlarged detail). Andrew kept a print shop at several locations on Liberty Street in lower Manhattan at about this time. One of his business cards identifies him as a “copperplate printer and agent for Peter Maverick.” I had not previously seen Andrew’s name on a bank note, and now wonder whether Andrew, rather than Peter, might have been the third member of the Maverick, Leney & Rollinson association whose imprint appears on notes of the State Bank at Elizabeth, N.J., State Bank at Morris, N.J., State Bank at New-Brunswick, N.J., and other banks. Andrew died in 1826; Peter, in 1831.



Leney and Rollinson Sculp.^r N. York.

Printed by And.^r Maverick

At least one bank, Middle District Bank of Poughkeepsie, New York, actually issued notes with the imprint of Leney & Rollinson on the model of the sample. A \$1.00 denomination is listed by Haxby (NY-2290 G24) with a brown tint and is illustrated; the Schingoethe specimen (17:537, illustrated in color) has a red tint. William J. Harrison's listing, following his article on Rollinson (which reproduced the circular but not the sample) illustrates a \$10.00 denomination on this bank with an unspecified tint, which is not in Haxby. Another example of the \$10.00 denomination from what was then the collection of the American Bank Note Co. is illustrated in Reid and Rollinson. This bank opened in 1811, the year of the circular and sample. It appears that Rollinson's ruling machine was in use a year earlier than mentioned in Hessler (p. 252).

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What is the going rate for a marriageable female?

Dear Fred,

Here's an odd item you might insert as you like into a future issue:

"In the years 1620 and 1621, several cargoes of young women were sent over from England, for wives for the Virginians. The law fixed their prices. At first the value of a wife was estimated at one hundred and twenty pounds of tobacco, but as the commodity [i.e., the young women] sold rapidly and soon became scarce, the price rose to an hundred and fifty pounds of tobacco." -- *Columbian Centinel* of Boston, January 30, 1805

-- Clifford Thies, PhD

Shenandoah University



Katharine R. Mahar, National Bank President

By Karl Sanford Kabelac

KATHARINE (REDDY) MAHAR WAS BORN IN LONE PINE, Inyo County, California, a small community about 200 miles north of Los Angeles, on April 16, 1876. Her father was a native of Rhode Island and her mother of Ireland.

She became a schoolteacher in San Pedro, California and in 1908 married Edward J. Mahar. Their only child, a daughter, was born the next year.

San Pedro is a neighborhood in the harbor area of Los Angeles. Once an independent community, it was annexed to Los Angeles in 1909.

Edward J. Mahar was born in Washington State in 1863, but moved to San Pedro as a young man. He became an important businessman in the area, and in January 1919 was elected president of The First National Bank of San Pedro. The bank had been founded in 1903 with charter #7057.

After a period of declining health, Mahar died in the family home in San Pedro on March 3, 1925. The next week, the bank board met and elected his widow, Katharine, as their next president. At that time the local newspaper headlined her appointment as, "First Woman President of Local Bank." The article went on to say that she was one of the principal stockholders in the bank and that it was not yet known how active a president she would be.

She served for three years, before the bank merged into the Bank of Italy (soon to be renamed the Bank of America) on December 8, 1928. At that time the bank had deposits of three million dollars.

She died in Los Angeles nearly exactly a decade later, on December 9, 1938, and was buried in Calvary Cemetery, Los Angeles.

Series 1902 National Bank Note of The First National Bank of San Pedro with the signature of Katharine R. Mahar as president. (Courtesy Lyn Knight Currency Auctions)

Sources and Acknowledgements

Articles on Edward Mahar's failing health and death are found in the *San Pedro Daily Pilot* for March 3, 4 and 5, 1925. An article on the election of Katharine R. Mahar as president of the bank is found in the same newspaper for March 14, 1925. Her obituary is in both the *San Pedro News-Pilot* and the *Los Angeles Times*, for December 10, 1938. The assistance of Cheryl Bryan of the San Pedro Bay Historical Association is gratefully acknowledged. ❖

This bill travels up and down the I-35 corridor for 688 miles

NOTE CIRCULATION CONTINUES TO FASCINATE me, and I always am pleased when a “wheresgeorge” note pops up in my change. Sometimes I share them here, in part hoping that other readers will chime in with their “finds.”

The note shown below had evidently been kicking around the southern plains region of the country for half a year before a clerk at a local Braum’s store gave it to me in change for a hamburger meal last summer. She smiled when she dropped it on my hand. It may have had more to do with her pleasant disposition than any acknowledgment of the red stamps on both sides of the bill.

It has traveled up and down Interstate 35, the major north-south artery in mid-America that bisects the continental United States. It stretches 1568 miles from Laredo, TX on the Mexican border to Duluth, MN on the Canadian border.

This note was entered into the website logging system on March 24, 2009, in Denton, TX a college town north of the Dallas-Fort Worth metroplex.

The “georger” who listed the note bragged that it was the 31,170th bill that he had entered on the website, and he’d already received 5,115 “hits” by that time.

“Please register and enter every bill you get so you can track where it goes,” he wrote.

Five months later, another georger 168 miles up Interstate 35 in Edmond, OK reentered the note. He had received it in Wichita, KS (further up Interstate 35) from the Kansas Turnpike Authority. Wichita is about 150 miles north of Edmond. “Likely spent it on BBQ in OKC (Oklahoma City),” he wrote. Edmond is a suburb of OKC.

A week and a half later it showed up in north Dallas about 220 miles further south down Interstate 35 at the restaurant where I got it. I wrote a plug for SPMC when I reentered the note, and said this bill would appear in the Jan/Feb issue of *Paper Money*. I also directed readers to the spmc web site www.spmc.org for information on the Society.

The map at right shows the travels of this \$1 FRN from (1) Denton, TX to (2) Wichita, KS to (3) Edmond, OK to (4) Dallas, TX. But where will it go next?

--Fred Reed ♦



IBNS Selects Samoan 20 tala for ‘Banknote of the Year’ Honors

AFTER REVIEWING GOVERNMENT BANKNOTE issues worldwide last year, the International Bank Note Society has selected the Central Bank of Samoa’s 20-tala note as its “Banknote of the Year” among new currency designs from 2008. This Samoan 20-tala banknote beat eight other banknotes nominated by IBNS members, two of which were also from the Pacific region.

“With striking, eye-catching yellow and gold colours and bold and innovative security devices, the 20-tala note easily eclipsed its competition” judges said. The judges liked the Central Bank’s emphasis on tourism, achieved by highlighting one of the nation’s pic-

turesque waterfalls, “a refreshing departure from the standard practice of portraying famous persons on paper money,” the IBNS announcement read. The note’s reverse was also praised for featuring Samoa’s national bird, the Manumea, and the national flower, the Teuila; the two symbolizing the uniqueness of Samoa’s natural environment.

Sharing the spotlight with the Central Bank of Samoa is the designer and printer, UK-based De La Rue Currency, one of the world’s foremost producers of

paper money and securities. “De La Rue’s creative blend of state-of-the-art security features and design elements maintains its long tradition of superior banknote design and printing, significantly adding to the appeal of the 20-tala banknote,” according to IBNS. ♦



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Odd and Obsolete: Stock Notes by Bob Schreiner

THERE WERE LITERALLY TENS OF THOUSANDS of different issues of obsolete paper money between 1800 and 1866, the end of the obsolete era. Notes issued by banks are the most familiar, but there were many other categories of issuers: states, counties, municipalities, courts, railroads, toll roads and canals, and more.

Perhaps the largest and most varied issue came from merchants of every type. The notes mainly served as small change in an era when coins were very scarce. A merchant who wanted to issue money simply contracted with a printer to design and print the notes, and then issued the notes as needed, generally by numbering, dating, and signing the note.

The notes could be redeemed for merchandise, for “current notes,” meaning whatever paper was then circulating, and rarely for specie, or coins. Such notes were frequently accepted elsewhere in the community, and provided a general if confusing circulating medium.

But some merchants either couldn't afford to have a note designed or for some other reason didn't do so. The merchant still had the option of issuing a note using a “stock” or “stationery” note. This was a note produced by a printer without a merchant name. The merchant then added his name, and issued the note the same way as a custom-made note.



Figure 1

There were variations. Sometimes the stock note had a printed state, municipality, or partial date. The rather ragged 25 cent note (Figure 1) has Brooklyn printed, and the rest filled in by, apparently, Harman Cook & Co. It is redeemable “in goods at retail cash prices.”



Figure 2

The 12½ cent note issued in New Bedford (MA?) in 1837 (Figure 2) is also a stock note with no pre-printed identifying

information. The merchant name is cut out, probably a form of cancellation. This note is also remarkable as a rare depiction of a Spanish coin obverse, but that's another story.



Figure 3

The two and three dollar notes (Figures 3 and 4) are of special interest. Each was issued by Lano and Marsh (?) in Groton, New York on April 1, 1856. It seems apparent that these notes, each with the same serial number 33, survived together for almost 150 years. Perhaps. But the amazing fact is that I acquired these notes from two different dealers about four years apart. The three dollar note was acquired from R. M. Smythe in August 1997, and the two dollar note from eBay, from a person calling himself Marzcoins, in July 2001.



Figure 4

Perhaps these notes survived in quantity, and I just happened to find two with like serial numbers. I searched eleven years of catalogs issued by Hugh Shull, perhaps the biggest dealer in obsolete paper money, and I found not one instance of this issuer. So the notes are at least scarce, perhaps rare.

Could the notes have survived together for many years in some collection until they were sold into the hands of one of these two dealers, then one to the other dealer, and I just happened to find them? Who knows?

Could all or many of the notes be numbered 33, perhaps falsely filled in later? Perhaps. The numbers may be in a different hand than the other filled-in items, and they do appear to be from a different pen.

This is just one small mystery that will probably never be solved. But it's the kind of strange and fascinating occurrence that maintains my interest in obsolete paper money. ♦

Whitman Encyclopedia of U. S. Paper Money

Reviewed by John and Nancy Wilson, NLG

WE ATTENDED THE FIRST ANNUAL COIN and Collectibles Philadelphia Expo held this past September to attend the Stack's sale of the First Session of Chester L. Krause's Wisconsin obsolete note collection. A large book debuting there caught our eye: the *Whitman Encyclopedia of U. S. Paper Money* authored by Q. David Bowers with a Foreword by Fred Reed. We were amazed at the size and scope of this new book.

It has all the attributes of another, "Touchdown" or "Grand Slam," for prolific author Q. David Bowers. Coming in at just under six pounds this hard bound volume has 900 pages filled with valuable information. It is possibly the finest reference ever written on the subject and may be one of the best books ever by award-winning author Bowers. Once we started to read, we found it hard to put down.

The book is of great importance, not only to new collectors but also to those who are advanced. Chapters 1 to 5 contain invaluable background information on the history and overview of Federal Notes, the development and federalization of paper money, grading, and how to be a smart buyer. These 90 pages provide almost anything and everything one could want to know about U.S. paper money. Chapter 5 is especially useful to any novice or advanced collector since it deals with how to be a smart buyer. We learned a lot from the four steps to success in this chapter: (1) Grade Assigned; (2) Eye Appeal at First Glance; (3) A Closer Look; and (4) Establishing a Fair Market Price. Following these steps benefits a buyer greatly.

We collect most U. S. notes from Colonials to modern small size notes. We particularly enjoyed going through Chapters 6 to 17, which individually detailed notes from \$1 to \$100,000. As collectors, we rarely collect anything over the \$20 denomination, but if we were to pursue higher denominations this reference would certainly help.

The book contains more than 1,600 full-color images, and in most cases more than four grade and price valuations. The Federal Reserve Note section shows the number of notes printed as well, in most cases, the estimated current population and recent auction results for notes by signature combination or city where applicable.

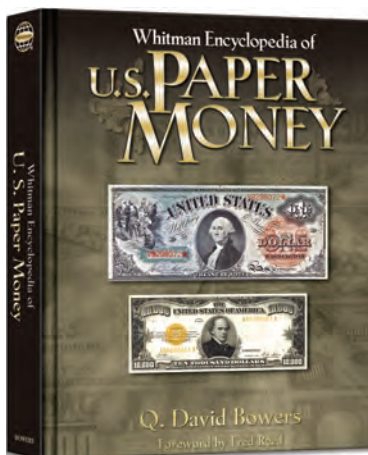
Bowers also lists Postage and Fractional Currency 1862- 1876 with all of the varieties

and five conditions with estimated market values. This is an area of the hobby that is overlooked by most dealers and collectors. If people knew the actual rarity of these "small change notes" everyone would collect them. A short section on paper-money errors covers only the basic errors giving no values. The book also covers star notes and mules.

Continental Currency, 1775-1779, with pictures of representative notes, are shown, priced and quantities listed. Prices are given in summary form in seven conditions. Early 19th Century Treasury Notes from 1812 to 1860 are also shown with some pricing. U. S. encased postage stamps show a representative obverse and reverse for each issuer with prices. The book also has a list of the signatures on U.S. Currency from 1861 to date, and the terms of service of Treasury Officials.

In many cases, we find the bibliographies in Q. David Bowers' references very useful. In this reference we found some new books that will be useful in stories we plan do, along with exhibits we are building. This reference also contains the Friedberg and Whitman Numbering Systems. We can now go over our collection and utilize these numbering systems, which are the standard in the collecting of U. S. paper money.

In summary, we feel the book is a "must have" for all collectors and dealers of U. S. paper money. We also recommend it to anyone with an interest in the monetary system of our country. Buy the book, if for nothing else, quoting the recent Whitman Press release (on this reference), "it will help you to make wise purchases in today's market." It is another "can't miss" reference authored by one of the greatest numismatic authors of all time. The book is 8½ x 11 inches, retails for \$69.95, and can be purchased from local coin dealers or from Whitman Publishing, LLC, 3103 Clairmont Road, Suite B, Atlanta, GA 30329, or (800) 546-2995 or at the Whitman web page, www.whitmanbooks.com ❖



Lincoln impersonator Dennis Boggs greets prolific numismatic author Q. David Bowers at the debut of his encyclopedic work on U.S. Paper Money in Philadelphia.



Partial Printing of Four-Note Plates: Evidence from a Minnesota Sheet

By R. Shawn Hewitt

THE AMERICAN BANK NOTE COMPANY WAS EXCLUSIVE printer for the free banks of Minnesota. In most cases banks ordered plates of four notes to be designed and engraved for their circulation. A few opted for two-note plates. Probably among the more esoteric bits of production history is that American Bank Note filled orders for one- or two-note sheets printed from a plate of four notes. A surviving sheet of notes from a Minnesota bank provides rare evidence of this practice.

In the vast majority of bank note production, American Bank Note printed the full engraved plate. The contemporary evidence of this practice is plentiful. Unsigned sheets that were left over at the end of the obsolete bank note era and now survive almost always bear a full selvage around the notes on the sheet.

The Bank of Minnesota contracted with American Bank Note to prepare a 1-2-5-10 plate for its circulation in 1862. The exception to the conventional practice of printing full sheets is found in a remainder \$1-\$2 sheet of this bank printed on half a sheet of bank note paper. It was cut in half by hand. Through casual inspection, it could be easily misunderstood that the sheet was cut after it was printed. A subtle clue indicates otherwise. At the bottom of the sheet, the top of the third note of the plate is barely visible. In fact the third note was not intended to be inked. A full sheet was cut in half before printing, and laid over the top two notes of the plate, the only part of the plate that was intentionally inked. Residual ink from the third note transferred to the bottom part of the sheet.

Another clue is that the \$1 note bears a serial number that is 1,000 greater than the \$2 note on the sheet. This may seem like a numbering error, but in all likelihood, the bank placed an order for 1,000 single \$1 notes some time before this sheet was printed. American Bank Note kept records of the printing history and accurately numbered the notes on the sheet.

Over its existence the bank issued a total of \$99,997 in bank notes. The most likely way this was achieved was through 5,000 full sheets numbered 1-5000, 1,000 \$1 sheets numbered 5001-6000, and 2,999 \$1-\$2 sheets numbered 6001-8999 on the \$1s and 5001-7999 on the \$2s. This is consistent with the serial numbers of the known notes: a \$1 issued note with serial 8634 survives, and the lowest serial seen for a \$1 remainder is 9518. Perhaps as many as 4,000 sheets of \$1-\$2 were printed, but not all of which were issued. The highest serial number observed is 9880 on a remainder \$1 note. Only two uncut sheets are currently known to have survived in that form.

Theoretical reconstruction of ABNCo print run for Bank of Minnesota:

Quantity	Denom.	Serial Nos.	Face Value
5000	\$1	1-5000	\$5,000
5000	\$2	1-5000	\$10,000
5000	\$5	1-5000	\$25,000
5000	\$10	1-5000	\$50,000
1000	\$1	5001-6000	\$1,000
2999	\$1	6000-8999	\$2,999
2999	\$2	5001-7999	\$5,998
			\$99,997

The American Bank Note Company engraved and printed notes in a variety of configurations to meet the needs of their clients. Custom orders for single or dual note sheets were taken, even if it meant partially printing from an existing larger plate. Surviving examples of partially printed sheets are particularly rare.

At right: At first glance, this \$1-\$2 sheet of the Bank of Minnesota appears to have been cut from a full four-subject sheet after printing. This is a splendid example of partial plate printing done by the American Bank Note Company. Close examination of the bottom shows that the borders of the third note on the plate are barely inked, and in fact was not intended to be inked. The bank apparently ordered only \$1s and \$2s in this printing run. Full sheets of blank bank note paper were cut in half at the printer by hand, and impressions of only the top two notes on the plate were made. Furthermore, the serial number on the \$1 note is 1,000 greater than that of the \$2 note. At some point in the bank history, an order was placed for 1,000 \$1 notes alone, which were themselves single-note sheets. ♦





Inflation and Repudiation in Texas, 1837-1842

by Gary M. Pecquet, PhD & Clifford F. Thies, PhD

Over-issue of "Red Back" Treasury Notes with dual imprints of Rawdon, Wright, Hatch & Edson, New Orleans, and Rawdon, Wright & Hatch, New York created an inflationary spiral for the new nation of Texas. Show is the back of CR TXA8 (courtesy of Don C. Kelly)

EVERYTHING IS BIGGER IN TEXAS, INCLUDING inflation. This is the story of the inflation, associated with the "Red Back," that occurred in the Republic of Texas under its second president, Mirabeau B. Lamar.

During and following its War for Independence, the Republic of Texas emitted land scrip for purposes such as the purchase of supplies. However, by the spring of 1837, the value of this land scrip may have fallen to under 10¢ an acre. At this point, the Republic of Texas issued a new form of currency, Treasury Notes, the first emission of which came to be known as "Star Money" for its prominent display of the five-pointed Star of Texas.

Sam Houston, the first President of the Republic, gave a qualified endorsement for this new form of indebtedness, receivable not merely for land sales, but for taxes as well. Houston insisted that the quantity of these notes should not exceed the normal circulating medium of the country. With this limitation, he hoped to maintain the notes near par in terms of specie.

The Star Money was placed into circulation beginning in November 1837. This money was merely printed (to speed delivery), rather than engraved. Then, beginning in January 1838, Texas emitted engraved Treasury Notes, otherwise identical to the Star Money. The notes of this second emission were sometimes referred to as "Promissory Notes" (which term was sometimes used to refer to all of the issues of money of the Republic of Texas) and also as "Engraved Ten Percents" (since they, like the Star Money, paid 10 percent interest for one year). Shortly after being introduced, the notes exchanged near par within Texas, although outside Texas their value remained uncertain until May 1838.

An Invitation from

The NEW HAMPSHIRE CURRENCY STUDY Project

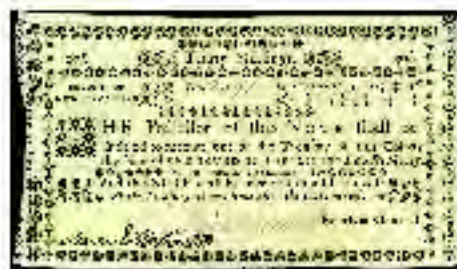
Q. DAVID BOWERS and
DAVID M. SUNDMAN

are involved in a long-term project to describe the history of all currency issued in the State of New Hampshire, as well as to compile a detailed registry of all known notes (whether for sale or not). Our area of interest ranges from issues of The Province of New Hampshire, The Colony of New Hampshire, the State of New Hampshire (1709-1780), issues of the New Hampshire state-chartered banks (1792-1866), and National Bank Notes issued by New Hampshire banks (1863-1935). This will result in a book under the imprimatur of the Society of Paper Money Collectors, with help from the New Hampshire Historical Society, the Smithsonian Institution, and others.

Apart from the above, David M. Sundman is President of Littleton Coin Company, and Q. David Bowers is Co-Chairman of Stack's Rare Coins. For other commercial transactions and business, contact them at their firms directly.



The authors of the present book, holding a rare Series of 1908 \$10 National Bank Note from West Derry, New Hampshire.



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The first Treasury Notes of the Republic of Texas bore the Texas Republic five-pointed star. Shown are CR H4 and CR H7 (courtesy of Heritage Auctions)

Texas Treasury Notes got off to a shaky start in New Orleans. For one thing, they had to overcome the poor reputation of Texas due to its land scrip becoming nearly worthless. Moreover, the acceptability of the notes for customs duties was in doubt (in spite of an inscription on them). Houston and his Secretary of the Treasury disagreed over whether the notes would be receivable for import duties. The Texas Congress did indeed make the notes receivable for customs duties in December 1837, however, also in that month, the Texas Congress debated a resolution calling for the abolition of all tariffs. The resolution failed, but the status of the notes became uncertain.

In early 1838, a correspondent for the *Houston Telegraph* in New Orleans reported that the value of the Texas Treasury Notes had been 50 percent a few weeks ago, but had risen substantially as correct knowledge of the status of the notes became widespread. On April 10th, the *New Orleans Picayune* reported that the notes traded at a discount of only 25 percent while other papers, presumably slow, placed their value at discounts of 50, 60 and 70 percent.

On May 1st, the editor of the *Picayune* assured his readers that the value of the Texas Treasury Notes would soon advance, saying that the Texas Congress would make its currency acceptable for customs duties, and that only \$650,000 Treasury Notes had been authorized. One week later, the value of

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FIGURE 1
Quotations on \$100 in Texas Promissory Notes in New Orleans (in current banknotes of that city) – Spliced-together Weekly Series.

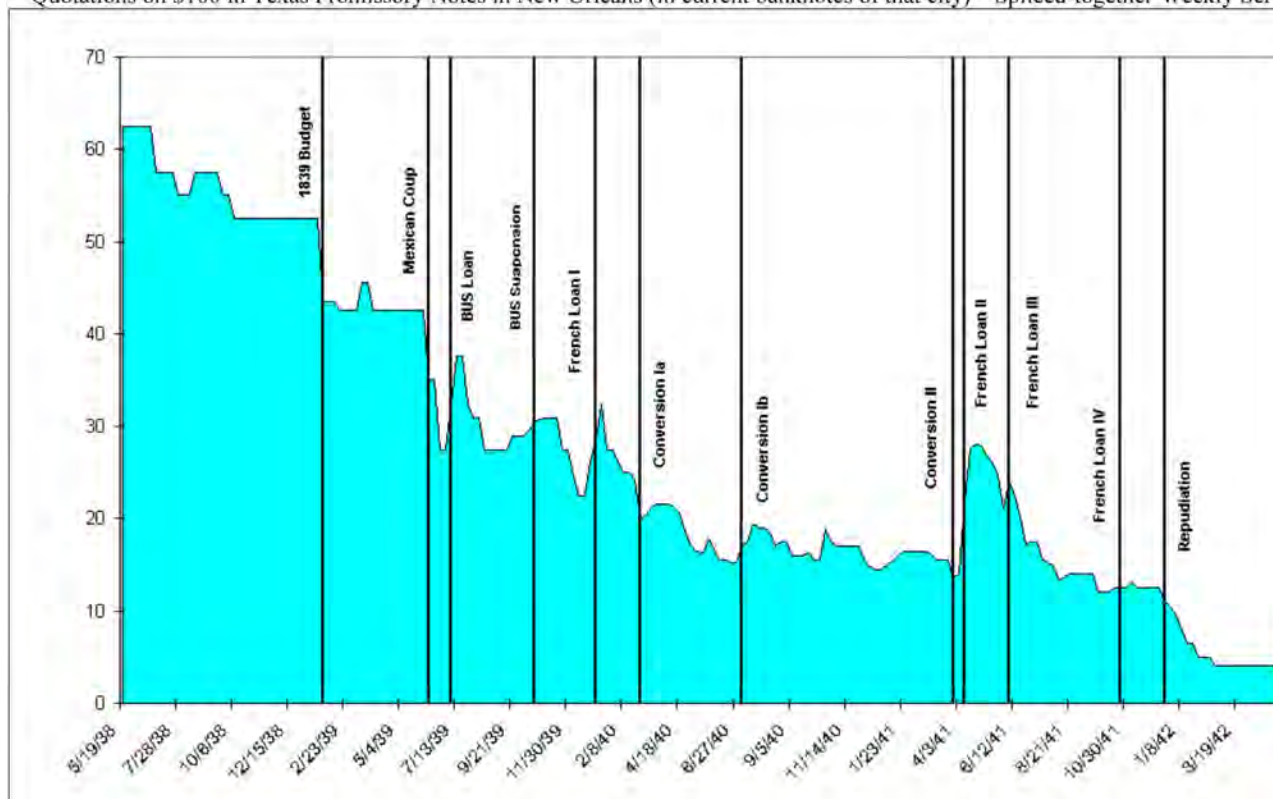


FIGURE 1. Quotations on \$100 in Texas Promissory Notes in New Orleans (in current banknotes of that city) – Spliced-together Weekly Series.

the notes stabilized in New Orleans, and the New Orleans papers began to include them in their currency tables. In that month, the *New Orleans Price Current* put their value at 60 to 65 (cents per dollar of par value), and the *Picayune* at 65 to 70.

From early 1838 to early 1842, Texas Treasury Notes were quoted regularly in the New Orleans papers. Based on these quotations, we have constructed the time series shown in **Figure 1**. As is evident in the figure, Texas Treasury Notes tended to fall in value relative to the U.S. Dollar throughout the period.

Houston and Lamar

The Texas Constitution established a two-year term for its first president and three-year terms for successive presidents; moreover, presidents were prohibited from succeeding themselves. The first and the third president of the Republic of Texas, serving from October 1836 to December 1838, and again from December 1841 to December 1844, was Sam Houston, a Jacksonian, hard-money man. He championed fiscal balance and understood the potential danger of paper money. Houston also promoted peaceful relations with the Indians and minimal military expenditures.

During his first administration, Houston fought with the Texas Congress to restrain expenditures and restrict the issue of Treasury Notes. On May 12, 1838, he vetoed a bill that would have increased the authorization of Treasury Notes to one million, but then agreed to a compromise measure. With this compromise, it was thought that continued growth of revenue, coupled with restraint on expenditure, would enable the government to achieve a balanced budget and arrest the budding inflationary trend. This picture suddenly changed.

After serving as Vice President during the first Houston administration, Mirabeau B. Lamar was elected the second President of Texas, serving from



December 1838 to December 1841. In his Inaugural Address of December 21, 1838, Lamar announced very ambitious plans. He pledged to drive the Indians from Texas, reversing Houston's policies. He also hoped to annex parts of northern Mexico, and establish Texas as a world power. Lamar also embraced a larger role for the government in education and internal improvements.

During Houston's first term, the government began to collect substantial revenue from customs duties, direct taxes and other sources. While projections varied, revenues were expected, through early 1839, to increase rapidly. The *Morning Star* projected total revenue of \$1.1 million based on first quarter customs duties and prior year collections.

Texas stifled the printer of its second series of notes, Draper Toppan & Longacre of Philadelphia and New York. Shown are CR TX16-18. (courtesy Heritage Auctions)

FIGURE 2

Monthly Commodity Price Index – Galveston-Houston Market (July 1837 = 100) (Following 7/1840, prices are quoted in specie.) Source: various issues of *Telegraph and Texas Register* and *Morning Star*. 8/1837-11/1837 twelve item index (bacon, butter, cheese, coffee, corn, fish-mackerel, flour, lard, lumber, molasses, rice, sugar-brown); 12/1837-3/1838 twenty item index (plus: candles, glass, gunpowder, nails, potatoes, shot, soap, sugar-loaf); 7/1838-5/1840 thirty item index (plus: ale, beef-mess, beef-navy, lead, lime, linseed oil, pork-mess, salt, spirits-whiskey, tea); 6/1840-2/1843 thirty-eight item index (plus: bagging, bale rope, cider, cotton, iron, steel, tar, wine-madiera); monthly averages of available price relatives; index constructed by the chain-linked method.

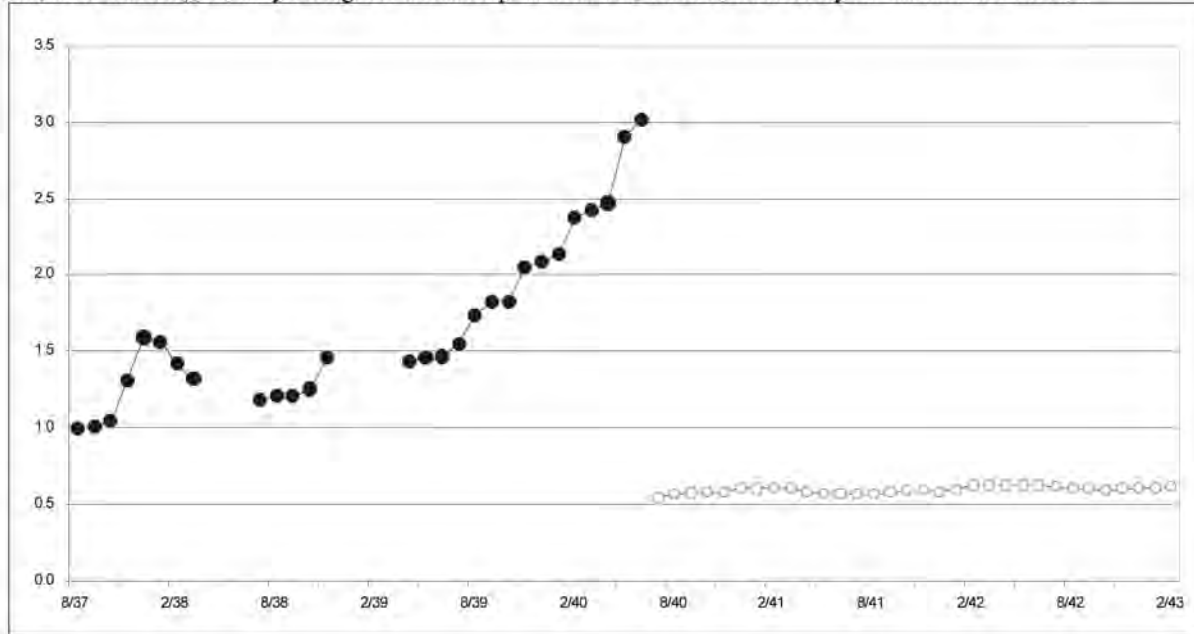


FIGURE 2. Monthly Commodity Price Index – Galveston-Houston Market (July 1837 = 100) (Following 7/1840, prices are quoted in specie.) For an explanation of the method see above.

But, upon assuming office, Lamar shifted taxation from customs duties to direct taxes. Tax revenue fell instead of increasing. In particular, the government's system of direct taxation collapsed amidst bankruptcies and foreclosures. During August and September 1839, the *Morning Star* devoted about two of its four pages to tax delinquencies and sheriff's sales. While revenues were falling, expenditures were increased from \$900,000 per year under Houston, to \$1.5 million in 1839 and to \$2.1 million in 1840, resulted in large deficits to be financed by lots of new paper money.

With increased expenditures and a fall in revenue, the Texas Congress, on January 16, 1839, authorized a new issue of Treasury Notes that came to be known as "Red Backs" for the color on their back side, although the nickname might be taken as denoting the deficits they financed. These notes did not pay interest, but could be converted into bonds bearing 10 percent. The new law placed no limitation on their issue.

Soon after receiving authorization, Lamar began placing Red Backs into circulation. In April 1839, the government of Texas received blank forms totaling \$750,000 in face value from its new printer, Rawdon Wright & Hatch, New York City. (The Republic had to quickly find a new printer since it stiffed its first printer, Draper Toppin & Longacre, Philadelphia & New York). These Red Backs ranged in denomination from \$5 to \$500, with about half of the dollar value being \$500's.

As is shown in **Figure 2**, commodity prices in Galveston and Houston, which had been fluctuating about an upward trend, began to rise sharply. By June 1840, commodity prices were about three times their level of July 1837. Following this, commodity prices were no longer quoted in Red Backs, but in specie, with conversion to Red Back prices based on New Orleans exchange rates.

The Texas Congress first attempted to halt the depreciation of its currency with its funding act of February 5, 1840. This act was intended to reduce the



supply of Red Backs by encouraging the holders to exchange them for bonds. Under the act, Red Backs could continue to be swapped for 10 percent bonds until June 30, 1840. After that date, the Red Backs could only be converted into 8 percent bonds. Texas subsequently issued \$813,000 of the 10 percent bonds, absorbing about one-third of the outstanding Treasury Notes. But, since the bonds were also receivable for taxes, the act merely converted one form of paper acceptable for taxes for another, and the value of the notes did not stabilize.

In February 1841, the disappointed Texas Congress repealed the funding act of 1840, terminating convertibility of notes into 8 percent bonds as of March 1, 1841. The focus of speculation in the liabilities of Texas turned to the possibility of a foreign loan.

The Foreign Loan Bailout Plan

During the brief War for Texas Independence, the provisional government sought foreign loans, but found few takers. Efforts for foreign loans continued during the first Houston administration, and were a major feature of the financial plans of the Lamar administration. From early 1838 to late 1841, news, rumors and even misinformation regarding foreign loans affected the value of Treasury Notes in the New Orleans currency market. Lamar held out the possibility of a foreign loan throughout his administration, even though he was aware, from the onset, that the prospect of a foreign loan was poor. According to one historian, his promotion of foreign loans was to encourage the Texas Congress to endorse his extravagant plans and to induce speculation in Texas securities.

In May 1838, as part of the compromise measure to which Houston had

Most of the Texas "Red Back" notes were \$500s. Shown are CR TX8a and 9a. (courtesy of Heritage Auctions)

agreed, the Texas Congress authorized a new loan which came to be known as the \$5 million loan. Texas hired agents, most notably General James Hamilton of South Carolina, to negotiate this and other loans with bankers in the United States and Europe. An attempt was made to obtain a loan of five million dollars from the United States Bank of Pennsylvania. But the bank demanded that its notes be receivable for Texas taxes and public dues up to the amount of the loan, and this provision was not acceptable.

Marketing of the \$5 million loan shifted to Europe. Efforts to procure a French loan began in January 1839. In the aftermath of their short "Pastry War" with Mexico, the French seemed to be sympathetic to Texas. The French sent an agent to Texas who was the brother-in-law to the French Minister of Finance. News of his arrival in New York reached New Orleans by January 1840 and the market for Red Backs briefly appreciated.

In April 1841, it was announced that a French loan had been secured. The manner and other circumstances of this announcement indicate that the announcement might have been no more than an attempt to manipulate the market. On April 7, 1841, the *New Orleans Bee* reported that a loan had been negotiated in Paris. The *Bee* carried a letter written by Hamilton while in Paris to the editor of the *New York Herald* dated February 14, 1841, and published in the *Herald* on March 26, 1841:

As commissioners of the loans of the Republic of Texas were instructed by his Excellency, President Lamar, in the event of their effecting a negotiation of a loan for that republic, to make a public announcement of the fact, that meritorious holders of the securities of the government may not be victims of speculation of those acting under secret information, I would thank you to state in your paper ...that I have this day concluded in this city a contract with the bank of Messrs. J. Lafitte & Co. for the Texas loan."

The same issue of the *Bee* included an acknowledgement by a Texas official of the successful negotiation of the loan dated March 27, 1841. Curiously, the *Bee* did not mention the terms of the loan, but the Texas notes and bonds nonetheless appreciated following the April 7th report. Beginning in April, the *Bee* (and also the *Courier*) began to misreport the market value for Texas Treasury Notes by inverting the discount from 75 to 25 percent, while the other papers continued to correctly report the values of Texas securities.

Two weeks later, the editor of the *Bee* again vouched for the veracity of the French loan:

The letter from General Hamilton giving the terms upon which the Texas loan was effected; has been submitted to our inspection, and we can from our personal knowledge speak of its contents. There can be no doubt that seven millions of dollars will be available, in this city, on the 1st of July. The reason why the exact terms upon which those bonds were sold cannot be made public, is not of a character to reflect discredit upon the faith of Texas or upon those who are acquainted with all of the facts.

Information was gradually gleaned concerning the terms of the loan. It was learned, for example, that the Texas agent agreed to certain trade concessions. Moreover, the French were supposed to pay "95, if it is not 55, with an average of 60" for Texas bonds paying 6% on their face value. While stated in a confusing manner, the bonds were to be sold at a discount of 40 percent.

As the unfavorable terms of the loan were becoming known, a new rumor started circulating that had emanated from within Texas. A ship brought a letter to New Orleans from Austin, indicating that Lamar and his cabinet were prepared to ratify the loan. Houston, likely to soon return to the Presidency, was also reported to be in favor of it. On June 4, 1841, the prices of Texas securities advanced in New Orleans, as those knowing of the letter apparently traded on its contents. Five days later, the letter was reported by the *Picayune*, along with a skeptical comment, and prices resumed their downward spiral.

On June 30, 1841, the *Telegraph* reprinted a letter dated May 18th from London and published in the *New York Herald* on June 12th reporting, "three days before the Lafitte company was to open the books with a powerful subscription... the French Minister of Finance, came out in the *Paris Monitor*, with a semi-official notice hostile to the loan ..." Following the certain collapse of the deal, the next issue of the *Telegraph* published the terms of the French loan. They were not advantageous to Texas. They included the following terms: One fourth of the loan was to be deposited at the French Treasury until that amount had been retired. Another fourth would be held by the Lafitte Company and invested in treasury securities. Texas would, therefore, realize only half of the proceeds from the loan, at a discount of 40 percent, and yet would pay interest on the full amount. Texas would also become obligated to receive up to half of its customs duties and half of the price for public land sales with the French loan bonds, at their face value. France would also obtain a mortgage on 5 million acres of the public lands of Texas at a price of 40¢ per acre.

Later in the year, certain people attempted to again revive the prospects for the French loan, claiming to have received favorable news that the difficulties between the Lafitte Company and the Minister of Finance had been resolved. On September 1, 1841, an official explanation for the collapse of the French Loan was published in



the *Austin City Gazette*. Supposedly, the loan deal fell through because of a personal pique of the French agent. Then, a report was received in New Orleans that Hamilton was to soon leave Europe with the proceeds of the loan. The editor of the *Bee*, on October 25th, quoted the October 12th issue of the *New York Evening Post* as follows:

We are gratified to be able to state for the information of those interested in Texas funds, that a letter has been received in this city from General Hamilton, announcing the agreeable intelligence of his intention to leave Europe for this country early this month, bringing with him the proceeds of the Texas Loan in gold. This will be good news to the holders of Texas Bonds and Treasury Notes, and we anticipate a speedy advance in price.

By this time, the *Bee*, which had previously promoted the loan, had become skeptical, and added to this news item, "It is not pleasant to throw cold water on such apparently excellent news; but we advise dealers in Texas money to wait awhile, and ascertain whether the intelligence be confirms. (sic) They have been deceived once – it should teach them caution."

By the end of 1841, news of a foreign loan came to be received with skepticism in the press and had no discernable effect on the market. The *New Orleans Bee* of November 3, 1841 greeted such news thusly, "Some northern newspapers make mention of the arrival of Hamilton in the *Columbia*, with the amount of the Loan for Texas, in gold. The intelligence needs confirmation, as several of the most respectable papers say nothing on the subject." The *Commercial Bulletin* of November 13, 1841, was less discrete, "Since the last Hamilton pure gold importation humbug, Texas notes are prostrate."

Shortly after Houston began his second term as President, he submitted a proposed Belgian loan, similar to the previously described French loan, to the Texas Congress without comment. The Texas Congress not only did not ratify the loan, it repealed all laws or parts of laws authorizing the negotiation of the \$5 million loan.

The Texas Congress subsequently stripped the notes and bonds of the Republic of their acceptability for all taxes and public dues. Beginning February 1, 1842, only gold or silver or a new currency called Exchequer Bills would be received for customs duties, direct taxes or license fees. The Red Backs were only good for land sales and certain tax arrears. Red Backs fell to 4¢ per \$1 of face value in New Orleans, and in May, ceased being quoted there. In Texas, they fell to 2¢.

In late 1843, the liabilities of the Republic of Texas were suddenly revived upon talk of annexation of Texas by the United States, as it was understood that annexation would imply the assumption of these liabilities by the U.S. federal government. Trading resumed in New Orleans and then began in the north, first in New York and then in Philadelphia. Twelve years later, after two more repudiations and revivals, and a great many twists and turns in value, they were paid off by the federal government, at 73¢ on the dollar. ♦

A new issue of Exchequer Notes was printed for Texas by Rawdon, Wright, Hatch & Edson, New Orleans.

Disposing of your collection

AT SOME POINT AS COLLECTORS WE HAVE TO decide what is going to happen to the collection after, or preferably before, we are gone. The best that could occur would be to have an heir who is passionate about the same hobby, so you could give or will it to him. I would rather give it away while I was still around so I could experience their reception of the gift. But a will is OK if there is someone who will appreciate and care for the collection as you did. Whatever you do, don't leave it for your wife or kids to figure out without detailed instructions from you on what to do.

Don't donate it to a museum. Paper money given to most museums is often misunderstood, improperly cared for, subject to theft by phony "researchers," sold off to raise money for the museum, not exhibited, or not accessible to legitimate researchers. Many items are not of "local" interest: for example, a collection of Eskimo sealskin money to a museum in Arizona.



An increasingly popular method of disposal is to consign to an auction before you die; when interest wanes or health reasons dictate, in order to witness the results of your collecting efforts and the pleasure of the next

It occurs to me...

Steve Whitfield

generation of hobbyists as they compete for your treasures. The big auction houses all produce magnificent color catalogs to document your collection. And, most collection catalogs today also include biographical information about the collector. The only disadvantage is the fee charged to the consignor. Depending on the size and quality of your collection these fees can be negotiated. Other methods of disposal include: selling outright to a dealer or competitor collector, selling it yourself by becoming a vest pocket dealer or advertising through a price list. And if you have really deep pockets, you can always establish and fund your own museum.

If you decide to sell, how do you price your notes? You can simply mark a note up from the price you originally paid for it or check current pricing guides and dealer price lists. These will give you some guidance. You can also accept the price offered by a trusted dealer or fellow collector.

Type notes in general are common, i.e. lots of them exist. If a collector needs a 1902 Plain Back \$20 national for a type collection, in nearly any condition, there are probably 300 available right now to choose from on dealer price lists or in scheduled auctions. Thus, type notes are easy to price.

If, on the other hand, they want a National Bank Note on a specific bank, there may only be one existing in the entire world. Rarities are a different story. One can auction a truly rare piece and hope that at least two persons desperately want that note and are willing to bid enthusiastically to get it. If there is only one other collector who needs that note, the auction result will be considerably less. If a similar note has some recent activity, it can serve as a price range guide. Best bet for true rarities is the auction route. ♦

The Editor's Notebook

Fred L. Reed III



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The Age in which we live

ISHOULDN'T HAVE BEEN SURPRISED ON COLUMBUS Day (still celebrated by many on October 12th for the information of new age revisionists who dislike European white males intensely, although I don't suspect many of them are SPMC members), when web master Bob Schreiner informed me and other members of the SPMC Board that the SPMC web site, www.spmc.org, had been hacked. That is the Age in which we live. Some jerk tweaked THE MAN, I guess.

According to Bob's note, this particular hacker was only a nuisance. "The home page was replaced with a notice that the site was undergoing maintenance, and to check back later. I can't find other changes or damage. I have changed the pertinent password," he reported. Why anybody would want to take time to do this damage is beyond me. "Because it's there" just doesn't seem like much motivation to me. I doubt that SPMC has "enemies."

But it does bring home in a real way that these are exactly the times in which we are living. This information age is wonderful in so many respects. I am reminded of that daily as I work on the revised, 2nd edition of my *Civil War Encased Stamps, The Issuers and Their Times*, originally published in 1994-1995. I spent 15 years, and had a lot of help researching that book, but would do so entirely differently were I to start over again today.

Differences in research technology abound: publishing information online, genealogy, online books like googlebooks and project Gutenberg, searchable electronic newspaper archives esp. of the *New York Times*, www.worldcat.org, electronic marketplaces like eBay and especially the Heritage Auction Galleries electronic archive. Of course, there are minuses, too. I've ranted against one, the infinite echo chamber of error that we have created, in my *Bank Note Reporter* column "Shades of the Blue & Grey."

Today erroneous and destructive information can be posted on line and copied over tens and hundreds and thousands of times. Once a lie is launched on the sea of information, it ripples forever, and can never be recalled. Eventually, everywhere one looks the same idiot screams his error at you.

Human technology has indeed created this infinite echo chamber for disinformation, where even an untruthful voice can resound forever, in all directions, in error. In some sense we are arriving in George Orwell's fatalistic future.

Then there are dopes like the jerk who hacked the SPMC web site. Better he/she should skip rocks in a lake. I am constantly bombarded by junk email forwarded from the SPMC web site, and I know others are too, but this is just a minor nuisance. Tampering with any web site is much more. ♦

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